

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



FORSYTH TECHNICAL COMMUNITY COLLEGE

WINSTON-SALEM, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



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STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Forsyth 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.

A handwritten signature in black ink that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Forsyth Technical Community College
Winston-Salem, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Forsyth Technical Community College, Foundation, Inc., the College's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Forsyth Technical Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Forsyth Technical Community College and its discretely presented component unit, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

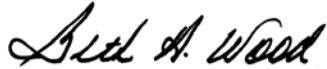
As discussed in Note 15 to the financial statements, during the year ended June 30, 2015, Forsyth Technical Community College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68. – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement 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 March 8, 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

March 8, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Forsyth Technical Community College, a component unit of the State of North Carolina, is presented to provide an overview of the College's financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the College's financial statements and the notes to the financial statements.

Overview of the Financial Statements

The basic financial statements consist of three statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. These financial statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board and focus on the financial position of the College, the results of operations, and cash flows of the College as a whole. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position are prepared under the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Position includes total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources with the difference reported as "net position." The balance in net position is one indicator of the College's financial health when considered with certain nonfinancial facts such as enrollment levels and the condition of the facilities. In fiscal year 2015, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement addresses the accounting and reporting requirements for state and local governments that provide pension benefits to employees through plans administered by a trustee. The College participates in such a plan by making contributions on behalf of its employees to the Teachers' and State Employees' Retirement System (TSERS), a cost-sharing, multiple-employer, defined benefit plan. As a result of implementing GASB Statement No. 68, the College recorded its proportionate share of the collective net pension liability, deferred inflows, deferred outflows, and pension expense for TSERS. In addition, prior amounts on the condensed Statement of Net Position have been restated for consideration of this GASB Statement. Refer to Notes 11 and 15 of the notes to the financial statements for details.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies state and county funding, grants, and gifts as nonoperating revenues. This required classification of certain revenues usually results in an operating loss, although the College may have an overall increase in net position for the year.

The Statement of Cash Flows presents the cash inflows and outflows of the College for the year summarized by operating, capital, noncapital financing, and investing activities. The statement provides a reconciliation of cash balances at the beginning of the year to cash balances at the end of the year.

For the purpose of this discussion, we will address the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. Comparative totals are being used in explaining the College's financial position and results of operations.

Results of Operations – The following schedule shows a summary of changes between the Statement of Revenues, Expenses, and Changes in Net Position for fiscal years 2015 and 2014.

	2015	2014* (As Restated)	Dollar Increase (Decrease)
Operating Revenues	\$ 10,269,555.19	\$ 10,327,109.44	\$ (57,554.25)
Operating Expenses	83,894,854.36	85,696,849.44	(1,801,995.08)
Operating Loss	(73,625,299.17)	(75,369,740.00)	1,744,440.83
Net Nonoperating Revenues	68,365,433.36	68,633,641.65	(268,208.29)
Loss Before Other Revenues	(5,259,865.81)	(6,736,098.35)	1,476,232.54
Capital Contributions	9,356,743.72	15,612,539.46	(6,255,795.74)
Refund of Prior Years Capital Aid		(3,000,000.00)	3,000,000.00
Additions to Endowments	250.00	62,885.00	(62,635.00)
Increase in Net Position	4,097,127.91	5,939,326.11	(1,842,198.20)
Net Position - July 1	117,465,477.98	111,526,151.87	5,939,326.11
Restatement	(8,993,700.00)		(8,993,700.00)
Net Position - June 30	<u>\$ 112,568,905.89</u>	<u>\$ 117,465,477.98</u>	<u>\$ (4,896,572.09)</u>

**Note: The year ended June 30, 2014 column is presented "As Restated" above due to the reclassification of certain revenue amounts. However, the June 30, 2014 column has not been restated for the implementation of GASB 68 because actuarial calculations performed do not provide sufficient information to restate these amounts.*

Total revenues for fiscal year ended June 30, 2015 were \$88.2 million decreasing by \$6.4 million from the previous year's total revenues of \$94.6 million. The \$6.4 million decrease results mainly from a \$6.3 million decrease in capital contributions. The largest revenue source was provided by the State. State aid, reported as nonoperating revenues, was \$34.1 million and state capital aid, reported as other revenues, was \$1.5 million. Aid from the State totaled \$35.6 million, representing 40.4% of total revenues for this fiscal year. County appropriations and county capital aid totaled \$9.1 million and \$6.8 million, respectively. Aid from the County totaled \$15.9 million representing 18.1% of total revenues for this fiscal year. Combined aid from the State and County totaled \$51.5 million representing 58.5% of total revenues for fiscal year 2015. The major operating revenue source was student tuition and fees in the amount of \$7.8 million. Federal student financial aid grants, reported as nonoperating revenues during the current year were \$17.9 million decreasing by approximately \$2 million or 10%. These grants are considered nonexchange transactions and include grants for Pell, SEOG, and College Work Study.

Operating revenues of \$10.3 million represent 11.7% of total revenues and consisted of a slight decrease from the previous year of \$57,554.25.

Total nonoperating revenues were \$68.6 million decreasing slightly by \$66,465.36 from the previous year. The major revenue source in nonoperating revenues was state aid of \$34.1 million, increasing by \$601,304.78 or 1.8% from the previous year. County appropriations increased by \$667,660.00 or 7.9%. These increases were attributed to the overall growth of the College to meet the educational needs of the community. Noncapital grants increased by \$1 million or 16.7%. This change was mostly attributed to increased funding related to the Department of Labor Bioscience Credentials grant. Noncapital

grants for federal student financial aid decreased by \$2 million attributed to a decrease in Pell grant awards during the year. Investment income totaled \$24,407.46, a slight increase of \$1,185.73 from the previous year.

Other revenues, which primarily account for capital funding, were \$9.4 million decreasing by \$6.3 million from the previous year. The major decreases occurred in county capital aid and capital gifts of \$3.3 million and \$3 million, respectively. The decrease in county capital aid pertained to reduced funding for the Career Center Phase IIB project due to completion of the project in fiscal year 2015. The decrease in capital gifts pertained mainly to funds received from the Foundation in the prior year to reimburse the College for renovation costs on the Wexford Building. Total additions to endowments during the year amounted to \$250.00, compared to \$62,885.00 from the previous year. The change was due to a decrease in endowment contributions for the current year.

A detailed schedule of revenues is presented below to provide additional comparative financial data.

	2015	2014	Dollar Increase (Decrease)
Operating Revenues:			
Student Tuition and Fees, Net	\$ 7,768,552.65	\$ 7,742,279.63	\$ 26,273.02
Sales and Services, Net	2,500,410.71	2,582,815.23	(82,404.52)
Other Operating Revenues	591.83	2,014.58	(1,422.75)
Total Operating Revenues	10,269,555.19	10,327,109.44	(57,554.25)
Nonoperating Revenues (Expenses):			
State Aid	34,089,814.16	33,488,509.38	601,304.78
County Appropriations	9,118,402.00	8,450,742.00	667,660.00
Noncapital Grants - Federal Student Financial Aid	17,891,874.57	19,855,121.73	(1,963,247.16)
Noncapital Grants	7,088,254.92	6,072,950.49	1,015,304.43
Noncapital Gifts	354,423.18	678,329.00	(323,905.82)
Investment Income	24,407.46	23,221.73	1,185.73
Other Nonoperating Revenues		64,767.32	(64,767.32)
Other Nonoperating Expenses	(201,742.93)		(201,742.93)
Net Nonoperating Revenues	68,365,433.36	68,633,641.65	(268,208.29)
Other Revenues:			
State Capital Aid	1,522,131.85	1,516,468.55	5,663.30
Refund of Prior Years State Capital Aid		(3,000,000.00)	3,000,000.00
County Capital Aid	6,843,683.65	10,062,827.00	(3,219,143.35)
Capital Grants	118,122.48	130,742.37	(12,619.89)
Capital Gifts	872,805.74	3,902,501.54	(3,029,695.80)
Additions to Endowments	250.00	62,885.00	(62,635.00)
Total Other Revenues	9,356,993.72	12,675,424.46	(3,318,430.74)
Total Net Revenues	\$ 87,991,982.27	\$ 91,636,175.55	\$ (3,644,193.28)

Fiscal year 2014-2015 total revenues were \$88,193,725.20 and total expenses were \$84,096,597.29.

Fiscal year 2013-2014 total revenues were \$94,636,175.55 and total expenses were \$88,696,849.44.

Expenses for fiscal year 2015 totaled \$84.1 million, decreasing by \$4.6 million from the previous year. The largest expense was for salaries and benefits totaling \$49.2 million or 58.5% of the total expenses during the year. The \$49.2 million expended for salaries and benefits was allocated as follows: \$28.3 million for instruction, \$7.7 million for institutional support, \$6.8 million for academic support, \$4.0 million for student services, \$1.6 million

for operations and maintenance of plant, and \$.8 million for auxiliary enterprises. Salaries and benefits decreased by \$1.1 million. The decrease was attributed to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Supplies and materials decreased by \$1.2 million or 8.5%. The decrease was mostly attributed to expenses capitalized for construction projects. Services increased by \$.9 million or 9.2%. In services, the Wexford Building lease was \$.5 million accounting for a significant portion of the increase, along with an increase in expenses related to the Department of Labor Bioscience Credentials grant. Scholarships and fellowships decreased by \$.5 million or 7.3%. The decrease was attributed to a decrease in Pell awards for the year. Depreciation expense increased by \$244,123.83 attributed to the completion of the Career Center Phase IIB project that was reclassified to buildings and equipment purchases during the current year.

Changes in other expenses during fiscal year 2015 consisted of an increase in other nonoperating expenses of \$201,742.93 and a decrease in the refund of prior years state capital aid of \$3 million. The increase in other nonoperating expenses was mainly attributed to the loss on the disposal of capital assets of approximately \$265,000 for fiscal year 2015, for which there was no such loss in the prior year. The decrease in the refund of prior years state capital aid pertained to the College having to return a \$3 million allotment to the State in fiscal year 2014 for a construction project that did not materialize. Instead, the State has chosen to reallocate annual funds of \$300,000.00 to the College over a ten-year period to pay for the leasing of space in the Wexford Building in the Research Park complex.

A detailed schedule of operating expenses is presented below to provide additional comparative financial data.

	2015	2014	Dollar Increase (Decrease)
Operating Expenses:			
Salaries and Benefits	\$ 49,169,889.52	\$ 50,261,633.95	\$ (1,091,744.43)
Supplies and Materials	13,110,958.34	14,330,801.25	(1,219,842.91)
Services	10,200,061.63	9,337,939.34	862,122.29
Scholarships and Fellowships	6,972,419.08	7,521,982.76	(549,563.68)
Utilities	1,501,961.87	1,549,052.05	(47,090.18)
Depreciation	2,939,563.92	2,695,440.09	244,123.83
Total Operating Expenses	<u>\$ 83,894,854.36</u>	<u>\$ 85,696,849.44</u>	<u>\$ (1,801,995.08)</u>

Outstanding commitments for capital projects as of June 30, 2015 were \$4.5 million. The most significant commitment was \$4,074,900.00 for the Stokes County Center. Other capital project commitments were \$53,711.65 for the Career Center Phase IIB, \$69,195.90 for the Main Campus renovations, and \$334,500.00 for the Oak Grove facility.

Financial Position – The following schedule shows changes between the Statement of Net Position for fiscal years 2015 and 2014.

	2015	2014 (As Restated)	Dollar Increase (Decrease)
Assets:			
Capital Assets, Net	\$ 113,132,169.96	\$ 108,966,988.56	\$ 4,165,181.40
Other Assets	13,948,776.58	15,887,690.07	(1,938,913.49)
Total Assets	127,080,946.54	124,854,678.63	2,226,267.91
Deferred Outflows of Resources:			
Deferred Outflows Related to Pensions	3,546,987.00	2,516,952.00	1,030,035.00
Liabilities:			
Long-Term Current Liabilities	613,889.59	219,417.78	394,471.81
Long-Term Noncurrent Liabilities	5,214,641.12	14,372,944.68	(9,158,303.56)
Other Liabilities	3,548,569.94	4,307,490.19	(758,920.25)
Total Liabilities	9,377,100.65	18,899,852.65	(9,522,752.00)
Deferred Inflows of Resources:			
Deferred Inflows Related to Pensions	8,681,927.00		8,681,927.00
Net Position:			
Net Investment in Capital Assets	112,650,607.93	108,966,988.56	3,683,619.37
Restricted	5,496,868.62	6,045,998.75	(549,130.13)
Unrestricted	(5,578,570.66)	(6,541,209.33)	962,638.67
Total Net Position	\$ 112,568,905.89	\$ 108,471,777.98	\$ 4,097,127.91

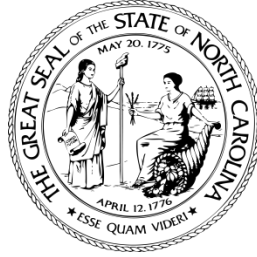
The College's net position totaled \$112.6 million at June 30, 2015, an increase of \$4.1 million from the previous year. The total net position consists of \$112.7 million invested in capital assets, \$5.5 million restricted for specific purposes, and a \$5.6 million deficit in unrestricted net position. Of the \$5.5 million restricted net position, \$2.4 million was restricted for capital projects and \$3.1 million was restricted for grants, student support, and other restricted purposes. The deficit amount of \$5.6 million in unrestricted net position was mainly attributed to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

The College's assets totaled \$127 million at June 30, 2015, an increase of \$2.2 million. Capital assets, net of depreciation, amounted to \$113 million, representing 89% of total assets, an increase from the previous year of \$4.2 million or 3.8%. The most significant change resulted from a \$5.9 million increase in construction costs during the year for the Career Center Phase IIB project. This project was completed in FY15, with approximately \$15.8 million reclassified from construction in progress to buildings. Refer to Note 5 of the Notes to the Financial Statements for more information about the College's capital assets. Other assets decreased by approximately \$1.9 million as a result of a \$1 million receivable due from the College's Foundation in the prior year that was not applicable in fiscal year 2015. The prior receivable pertained to funding for the Wexford Building renovation project. In addition, inventories decreased by \$.9 million attributed to the bookstore operations. Cash and cash equivalents amounted to \$10.6 million, representing 8.4% of total assets, and consisted of a modest increase of \$.7 million compared to the prior year's cash total of \$9.9 million. Buildings, less accumulated depreciation, the largest capital assets category, totaled \$93 million and represented 82.2% of the total capital assets.

Total liabilities at fiscal year ended June 30, 2015 were \$9.4 million. Long-term liabilities totaled \$5.8 million at year-end, of which \$3.4 million represented liabilities for accrued vacation and \$2.4 represented net pension liability for employees. Noncurrent long-term liabilities decreased by \$9.2 million from the previous year. This decrease was substantially attributed to the change in the College's proportionate share of the collective net pension liability for the Teachers' and State Employees' Retirement System. Refer to Note 7 of the Notes to the Financial Statements for more information about the College's long-term liabilities. Other liabilities, consisting mainly of accounts payable, accrued payroll, and unearned revenue totaled approximately \$3.5 million or 37.8% of the total liabilities at year-end.

With the implementation of GASB Statement No. 68, a major change in the Statement of Net Position occurred. The College recorded deferred outflows related to pensions of \$3.5 million, a net pension liability of \$2.4 million, and deferred inflows related to pensions of \$8.7 million at June 30, 2015. The College's unrestricted net position at June 30, 2014 was \$2.5 million. After restating for GASB Statement No. 68, unrestricted net position was (\$6.5) million as of July 1, 2014, a decrease of \$9 million. Unrestricted net position at June 30, 2015 was (\$5.6) million, an increase of \$.9 million from the restated July 1, 2014 balance.

Future Operations – The economic position of Forsyth Technical Community College is closely tied to that of the State of North Carolina. State and county funding totaled \$51.5 million, down from the previous year by \$1.9 million with the decrease being attributed to funding for county capital expenses. Any changes in the state and local economy would have an impact on the funding available for the College in future years.



FINANCIAL STATEMENTS

Forsyth Technical Community College
Statement of Net Position
June 30, 2015

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 4,863,785.66
Restricted Cash and Cash Equivalents	3,049,853.89
Receivables, Net (Note 4)	1,879,403.22
Inventories	1,236,129.78
Notes Receivable	1,519.08

Total Current Assets	<u>11,030,691.63</u>
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	2,727,219.62
Receivables	190,865.33
Capital Assets - Nondepreciable (Note 5)	5,765,165.78
Capital Assets - Depreciable, Net (Note 5)	<u>107,367,004.18</u>

Total Noncurrent Assets	<u>116,050,254.91</u>
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Total Assets	<u>127,080,946.54</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	<u>3,546,987.00</u>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	2,819,040.28
Unearned Revenue	682,989.54
Funds Held for Others	46,540.12
Long-Term Liabilities - Current Portion (Note 7)	<u>613,889.59</u>

Total Current Liabilities	<u>4,162,459.53</u>
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Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	<u>5,214,641.12</u>
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Total Liabilities	<u>9,377,100.65</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	<u>8,681,927.00</u>
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NET POSITION

Net Investment in Capital Assets	112,650,607.93
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Restricted for:

Nonexpendable:

Scholarships and Fellowships	401,001.04
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Expendable:

Scholarships and Fellowships	360,026.17
Loans	201,220.15
Capital Projects	2,380,937.35
Restricted for Specific Programs	<u>2,153,683.91</u>

Unrestricted	<u>(5,578,570.66)</u>
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Total Net Position	<u>\$ 112,568,905.89</u>
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The accompanying notes to the financial statements are an integral part of this statement.

***Forsyth 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)	\$ 7,768,552.65
Sales and Services, Net (Note 9)	2,500,410.71
Other Operating Revenues	591.83
	<hr/>
Total Operating Revenues	10,269,555.19
	<hr/>

EXPENSES

Operating Expenses:

Salaries and Benefits	49,169,889.52
Supplies and Materials	13,110,958.34
Services	10,200,061.63
Scholarships and Fellowships	6,972,419.08
Utilities	1,501,961.87
Depreciation	2,939,563.92
	<hr/>

Total Operating Expenses

 83,894,854.36

Operating Loss

 (73,625,299.17)

NONOPERATING REVENUES (EXPENSES)

State Aid	34,089,814.16
County Appropriations	9,118,402.00
Noncapital Grants - Federal Student Financial Aid	17,891,874.57
Noncapital Grants	7,088,254.92
Noncapital Gifts	354,423.18
Investment Income	24,407.46
Other Nonoperating Expenses	(201,742.93)
	<hr/>

Net Nonoperating Revenues

 68,365,433.36

Loss Before Other Revenues (5,259,865.81)

State Capital Aid	1,522,131.85
County Capital Aid	6,843,683.65
Capital Grants	118,122.48
Capital Gifts	872,805.74
Additions to Endowments	250.00
	<hr/>

Increase in Net Position 4,097,127.91

NET POSITION

Net Position, July 1, 2014 as Restated (Note 15)

 108,471,777.98

Net Position, June 30, 2015

 \$ 112,568,905.89

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

***Forsyth Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015***

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

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 10,100,615.28
Payments to Employees and Fringe Benefits	(50,329,491.21)
Payments to Vendors and Suppliers	(24,586,130.98)
Payments for Scholarships and Fellowships	(6,981,734.49)
Loans Issued to Students	62.00
Other Receipts	72,024.89
	<hr/>
Net Cash Used by Operating Activities	(71,724,654.51)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	34,089,814.16
County Appropriations	9,118,402.00
Noncapital Grants - Federal Student Financial Aid	17,888,812.57
Noncapital Grants	6,819,396.70
Noncapital Gifts and Endowments	354,673.18
William D. Ford Direct Lending Receipts	13,105,781.00
William D. Ford Direct Lending Disbursements	(13,105,781.00)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	68,271,098.61

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,772,131.85
County Capital Aid	7,873,571.47
Capital Grants	118,122.48
Capital Gifts	1,035,448.68
Acquisition and Construction of Capital Assets	(6,637,315.18)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	4,161,959.30

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	24,407.46
	<hr/>
Net Increase in Cash and Cash Equivalents	732,810.86
Cash and Cash Equivalents, July 1, 2014	9,908,048.31
	<hr/>
Cash and Cash Equivalents, June 30, 2015	\$ 10,640,859.17

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

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (73,625,299.17)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,939,563.92
Pension Expense	1,250,894.00
Nonoperating Other Income	64,101.27
Changes in Assets, Liabilities, and Deferred Outflows of Resources:	
Receivables, Net	(260,659.95)
Inventories	888,906.02
Notes Receivable	62.00
Accounts Payable and Accrued Liabilities	(709,717.10)
Unearned Revenue	82,404.63
Funds Held for Others	7,923.62
Deferred Outflows for Contributions Subsequent to the Measurement Date	(2,705,839.00)
Compensated Absences	343,005.25
Net Cash Used by Operating Activities	<u><u>\$ (71,724,654.51)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 4,863,785.66
Restricted Cash and Cash Equivalents	3,049,853.89
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>2,727,219.62</u>
Total Cash and Cash Equivalents - June 30, 2015	<u><u>\$ 10,640,859.17</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 481,562.03
Assets Acquired through a Gift	872,805.74
Loss on Disposal of Capital Assets	(265,844.20)

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

Forsyth Technical Community College Foundation, Inc
Statement of Financial Position
June 30, 2015

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	1,643,068
Pledges Receivable		950
Accounts Receivable		8,111
Investments		2,775,504
Investment in Life Insurance Policy		67,251
Land		<u>190,000</u>
Total Assets	\$	<u><u>4,684,884</u></u>

LIABILITIES

Total Liabilities	\$	<u>0</u>
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NET ASSETS

Unrestricted		976,182
Temporarily Restricted		1,351,810
Permanently Restricted		<u>2,356,892</u>
Total Net Assets		<u>4,684,884</u>
Total Liabilities and Net Assets	\$	<u><u>4,684,884</u></u>

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

Forsyth Technical Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2015

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

Support and Revenues:

Contributions	\$ 128,017
Investment Income (Net of Fees)	9,907
Change in Market Value of Investments	(6,856)
Transfers In	5,155
Net Assets Released from Restrictions	1,107,474

Total Unrestricted Support and Revenues	1,243,697
---	-----------

Expenses:

Program Services	1,327,245
Fundraising	98,173
Management and General	14,090

Total Expenses	1,439,508
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Decrease in Unrestricted Net Assets	(195,811)
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CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Support and Revenues:

Contributions	539,850
Investment Income (Net of Fees)	75,270
Change in Market Value of Investments	(76,224)
Net Assets Released from Restrictions	(1,107,474)

Decrease in Temporarily Restricted Net Assets	(568,578)
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CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Support and Revenues:

Contributions	81,450
Investment Income (Net of Fees)	18,166
Change in Market Value of Investments	(20,086)
Transfers Out	(5,155)

Increase in Permanently Restricted Net Assets	74,375
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Decrease in Net Assets	(690,014)
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Net Assets at Beginning of Year	5,374,898
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Net Assets at End of Year	\$ 4,684,884
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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. Forsyth 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 of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. See below for further discussion of the College's component unit.

Discretely Presented Component Unit - Forsyth Technical Community College Foundation, Inc. (Foundation) is a legally separate, nonprofit, tax-exempt corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of at least 10 and no more than 30 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2015, the Foundation distributed \$1,201,318.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Forsyth Technical Community College Foundation, Inc., 2100 Silas Creek Parkway, Winston-Salem, NC 27103.

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

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

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

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

- D. Cash and Cash Equivalents** - This classification includes petty cash, 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 postage and expendable supplies, are valued using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory 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.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50-55 years
Machinery & Equipment	5-50 years
General Infrastructure	50 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 deposits.

I. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include net pension liability and compensated absences that will not be paid within the next fiscal year.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2014 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 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 January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

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

annual leave carried forward described above and is not subject to conversion to sick leave.

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

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

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

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College. Both restricted and unrestricted net 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. County Appropriations - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

COLLEGE

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 \$9,060.00, and deposits in private financial institutions with a carrying value of \$5,839,814.11 and a bank balance of \$6,358,267.51.

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 \$4,791,985.06 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.

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to G.S. 147-69.2. This statute authorizes

investments for special funds held by the State Treasurer and includes the following investments: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities, bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments and obligations of certain entities with specified ratings.

Component Unit

Deposits – All funds of the College’s discretely presented component unit, Forsyth Technical Community College Foundation, Inc., are deposited in board-designated official depositories or with the State Treasurer. The Foundation had the following balances in established accounts at June 30, 2015:

	2015
Cash on Deposit with Private Financial Institutions	\$ 150,453.00
Cash on Deposit with State Treasurer	1,492,615.00
Total Deposits	<u>\$ 1,643,068.00</u>

The cash on deposit with the State Treasurer is pooled with state agencies and similar institutions in the State Treasurer’s Short-Term Investment Fund. These moneys are invested in accordance with G.S. 147-69.1 and as required by law are “readily convertible into cash.” All investments of the funds are held either by the Department of State Treasurer or its agent in the State’s name. The fund’s uninvested cash is either covered by federal depository insurance or, pursuant to 20 NCAC 7, is collateralized to secure all deposits in excess of the federal depository insurance coverage. The federal depository insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. The Foundation had no cash deposits in excess of FDIC coverage as of June 30, 2015.

Investments - Investments of the College’s discretely presented component unit, Forsyth Technical Community College Foundation, Inc., are subject to and restricted by G.S. 36E “Uniform Prudent Management of Institutional Funds Act” (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

	Fair Value
Investment Type	
Mutual Funds	<u>\$ 2,775,504.00</u>

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 \$18,729.67 was available to be spent, all of which was classified in net position as restricted for expendable scholarships and fellowships as it is restricted for specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,373,097.30	\$ 1,650,672.31	\$ 722,424.99
Student Sponsors	140,978.23		140,978.23
Accounts	391,936.18		391,936.18
Intergovernmental	624,063.82		624,063.82
Total Current Receivables	<u>\$ 3,530,075.53</u>	<u>\$ 1,650,672.31</u>	<u>\$ 1,879,403.22</u>

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	\$ 5,165,802.42	\$ 0.00	\$ 0.00	\$ 5,165,802.42
Construction in Progress	10,038,819.78	6,337,648.13	15,777,104.55	599,363.36
Total Capital Assets, Nondepreciable	<u>15,204,622.20</u>	<u>6,337,648.13</u>	<u>15,777,104.55</u>	<u>5,765,165.78</u>
Capital Assets, Depreciable:				
Buildings	97,520,421.42	15,777,104.55		113,297,525.97
Machinery and Equipment	16,380,400.37	1,032,941.39	852,668.27	16,560,673.49
General Infrastructure	4,257,287.04			4,257,287.04
Total Capital Assets, Depreciable	<u>118,158,108.83</u>	<u>16,810,045.94</u>	<u>852,668.27</u>	<u>134,115,486.50</u>
Less Accumulated Depreciation for:				
Buildings	18,335,413.59	2,000,816.29		20,336,229.88
Machinery and Equipment	5,217,196.81	853,601.89	586,824.07	5,483,974.63
General Infrastructure	843,132.07	85,145.74		928,277.81
Total Accumulated Depreciation	<u>24,395,742.47</u>	<u>2,939,563.92</u>	<u>586,824.07</u>	<u>26,748,482.32</u>
Total Capital Assets, Depreciable, Net	<u>93,762,366.36</u>	<u>13,870,482.02</u>	<u>265,844.20</u>	<u>107,367,004.18</u>
Capital Assets, Net	<u>\$ 108,966,988.56</u>	<u>\$ 20,208,130.15</u>	<u>\$ 16,042,948.75</u>	<u>\$ 113,132,169.96</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 1,265,347.90
Accrued Payroll	1,210,070.35
Contract Retainage	343,622.03
Total Current Accounts Payable and Accrued Liabilities	<u>\$ 2,819,040.28</u>

NOTE 7 - 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	\$ 11,510,652.00	\$ 0.00	\$ 9,106,837.00	\$ 2,403,815.00	\$ 0.00
Compensated Absences	3,081,710.46	2,930,457.47	2,587,452.22	3,424,715.71	613,889.59
Total Long-Term Liabilities	<u>\$ 14,592,362.46</u>	<u>\$ 2,930,457.47</u>	<u>\$ 11,694,289.22</u>	<u>\$ 5,828,530.71</u>	<u>\$ 613,889.59</u>

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

NOTE 8 - OPERATING LEASE OBLIGATIONS

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

Fiscal Year	Amount
2016	\$ 503,477.20
2017	506,465.16
2018	505,138.56
2019	510,642.96
2020	516,386.64
2021-2023	2,079,631.89
Total Minimum Lease Payments	<u>\$ 4,621,742.41</u>

The following schedule presents the composition of total rental expense for all operating leases except those with terms of a month or less that were not renewed:

	Amount
Minimum Rentals	\$ 357,680.04
Contingent Rentals	250,762.00
Total Rental Expense	<u>\$ 608,442.04</u>

NOTE 9 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	\$ 15,677,138.76	\$ 7,664,958.45	\$ 243,627.66	\$ 7,768,552.65
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 685,248.49	\$ 0.00	\$ 2,716.93	\$ 682,531.56
Bookstore	6,653,136.64	4,719,187.34	198,520.16	1,735,429.14
Parking	45,163.84		96.20	45,067.64
Other	30,541.24		10,686.96	19,854.28
Sales and Services of Education and Related Activities	17,528.09			17,528.09
Total Sales and Services, Net	\$ 7,431,618.30	\$ 4,719,187.34	\$ 212,020.25	\$ 2,500,410.71

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 28,341,871.81	\$ 4,175,945.91	\$ 4,667,911.15	\$ 0.00	\$ 0.00	\$ 0.00	\$ 37,185,728.87
Academic Support	6,775,469.74	311,728.41	198,638.34				7,285,836.49
Student Services	4,007,294.01	127,137.97	336,724.08	41,090.00			4,512,246.06
Institutional Support	7,674,049.98	128,493.95	1,868,596.38		199,297.15		9,870,437.46
Operations and Maintenance of Plant	1,570,751.72	2,156,755.30	2,666,228.85		1,302,664.72		7,696,400.59
Student Financial Aid			2,571.85	6,931,329.08			6,933,900.93
Auxiliary Enterprises	800,452.26	6,210,896.80	459,390.98				7,470,740.04
Depreciation						2,939,563.92	2,939,563.92
Total Operating Expenses	\$ 49,169,889.52	\$ 13,110,958.34	\$ 10,200,061.63	\$ 6,972,419.08	\$ 1,501,961.87	\$ 2,939,563.92	\$ 83,894,854.36

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

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2015 was 9.15% of covered payroll. The College's contributions to the pension plan were \$2,705,839.25, and employee contributions were \$1,774,320.82 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 \$2,403,815.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the College's proportion was .20503%, which was an increase of .01543% from its proportion measured as of June 30, 2013.

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

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

* Salary increases include 3.5% inflation and productivity factor.

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance

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

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

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

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

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

<u>Net Pension Liability (Asset)</u>		
<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate</u>	<u>1% Increase (8.25%)</u>
\$ 17,256,249.00	\$ 2,403,815.00	\$ (10,136,903.00)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2015, the College recognized pension expense of \$1,250,894.00. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 0.00	\$ 560,316.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		8,121,611.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	841,148.00	
Contributions Subsequent to the Measurement Date	2,705,839.00	
Total	\$ 3,546,987.00	\$ 8,681,927.00

The amount of \$2,705,839.00 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	Amount
2016	\$ (1,956,306.00)
2017	(1,956,306.00)
2018	(1,956,306.00)
2019	(1,971,861.00)
Total	\$ (7,840,779.00)

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 5.40% and 5.30%, 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 \$1,623,503.55, \$1,564,043.72, and \$1,472,975.52, 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 \$121,245.26, \$127,440.60, and \$122,284.76, 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. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina

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

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. In addition, the College is protected for losses from employee dishonesty and computer fraud for employees paid from county and institutional funds by contracts 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

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$4,532,307.55 and on other purchases were \$528,311.46 at June 30, 2015.

NOTE 15 - 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	\$ 117,465,477.98
Restatement:	
Record the College's Net Pension Liability and Pension Related Deferred Outflows of Resources Per GASB 68 Requirements	<u>(8,993,700.00)</u>
July 1, 2014 Net Position as Restated	<u>\$ 108,471,777.98</u>



REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit C-1

	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	0.20503%	0.18960%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 2,403,815.00	\$ 11,510,652.00
Covered-Employee Payroll	\$ 28,963,772.61	\$ 27,791,990.87
Net Pension Liability as a Percentage of Covered-Employee Payroll	8.30%	41.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

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

Exhibit C-2

	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 2,705,839.25	\$ 2,516,951.84	\$ 2,315,072.84	\$ 1,916,703.34	\$ 1,196,246.67
Contributions in Relation to the Contractually Determined Contribution	<u>2,705,839.25</u>	<u>2,516,951.84</u>	<u>2,315,072.84</u>	<u>1,916,703.34</u>	<u>1,196,246.67</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Covered-Employee Payroll	\$ 29,572,013.66	\$ 28,963,772.61	\$ 27,791,990.87	\$ 25,762,141.56	\$ 24,264,638.28
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	\$ 823,688.52	\$ 762,309.54	\$ 659,003.21	\$ 547,420.28	\$ 444,615.37
Contributions in Relation to the Contractually Determined Contribution	<u>823,688.52</u>	<u>762,309.54</u>	<u>659,003.21</u>	<u>547,420.28</u>	<u>444,615.37</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Covered-Employee Payroll	\$ 23,072,507.56	\$ 22,687,783.77	\$ 21,606,662.58	\$ 20,579,709.68	\$ 19,000,656.71
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

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

Changes of Benefit Terms:

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

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



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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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
Forsyth Technical Community College
Winston-Salem, 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 Forsyth Technical Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 8, 2016. Our report includes a reference to other auditors who audited the financial statements of Forsyth Technical Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Forsyth Technical Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with this entity.

Internal Control Over Financial Reporting

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

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

prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 8, 2016

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