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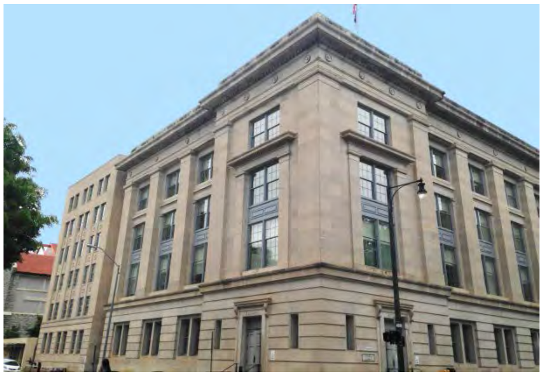
BETH A. WOOD, CPA



HALIFAX COMMUNITY COLLEGE

WELDON, 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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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, Halifax Community College

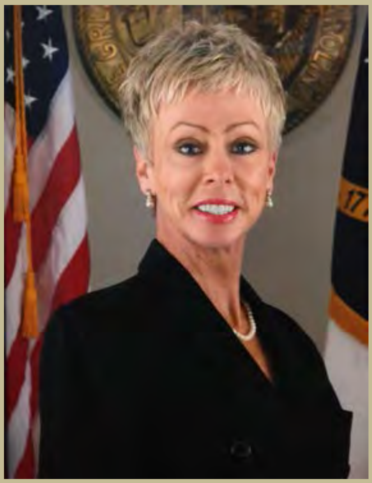
We have completed a financial statement audit of Halifax Community College for the year ended June 30, 2015, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor

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State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Halifax Community College
Weldon, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Halifax 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 Halifax 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 15 to the financial statements, during the year ended June 30, 2015, Halifax 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 April 7, 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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

April 7, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The information in this section is intended to provide a general overview of the College's financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information.

Overview of the Financial Statements

Halifax Community College's discussion and analysis provides a summary of the College's basic financial statements which include the Statement of Net Position; Statement of Revenues, Expenses, and Change in Net Position; and Statement of Cash Flows. Halifax Community College Foundation, Inc., is blended into the financial statements for Halifax Community College. The Halifax Community College Foundation, Inc., had total net position of $1,403,073.89 at June 30, 2015.

The Statement of Net Position presents information on all of the College's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving.

The Statement of Revenues, Expenses and Changes in Net Position shows how the College's net position changed during the most recent fiscal year. Revenues and expenses are presented in a format that distinguishes between operating and nonoperating revenues and expenses.

The Statement of Cash Flows provides information regarding the College's cash receipts and cash payments during the reported period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. The statement reconciles the beginning cash on hand as of July 1, 2014, to the ending cash on hand as of June 30, 2015.

The Notes to Financial Statements provide additional information that is essential to a complete understanding of the data provided.

Institutional Financial Analysis

As noted earlier, net position can serve as a useful indicator of the College's financial position. Net position for Halifax Community College decreased by $18,175.46 for the fiscal year ended June 30, 2015, to $12,795,610.31.

Current assets decreased by 17.83% or $403,007.27. The decrease in current assets resulted from a decrease in current restricted cash of $405,675.51. Decreases in enrollment led to less technology fees and Pell receipts collected by the College. Other noncurrent assets increased by 7.79% or $97,935.27 due to an increase in investments.

Capital assets decreased by 2.47% or $324,352.81. Capital acquisitions totaled $224,737.08 for the year ended June 30, 2015. Capital purchases included computer equipment, industrial technology equipment and an electronic sign at the entrance to the campus. The capital acquisitions were offset by depreciation expense in the amount of $543,294.36.

During the fiscal year ended June 30, 2015, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The prior year financial statements have been restated to record the College's proportionate share of the collective net pension liability, and related deferred inflows and outflows of resources.

Total Liabilities decreased by 61.80% or $2,769,784.35. Current liabilities decreased by 10.12% or $65,198.44 due to the reduction in accounts payable and accrued liabilities. Accrued liabilities decreased due to a reduction in the number of county employees as a result of outsourcing maintenance and housekeeping. Noncurrent liabilities decreased by 70.48% or $2,704,585.91. The decrease in noncurrent liabilities was mainly due to the $2,597,623.00 reduction in net pension liability.

Most of the College's net position is invested in capital assets (land, buildings, machinery and equipment, and infrastructure). Restricted net position increased 7.58% or $128,747.49. The increase is mainly a result of money received, but not spent from the Duke Energy Grant of $87,982.29, gifts for scholarships, and increases in investments. Unrestricted net position increased 8.89%, or $177,429.86. This is the result of various changes in revenues generated, primarily bookstore sales, and expenses including portions of salaries and benefits, supplies and materials, services, and utilities.

Condensed Statement of Net Position

	2015	2014 As Restated	Increase (Decrease)	Percent Change
Assets				
Current	$ 1,856,927.76	$ 2,259,935.03	$ (403,007.27)	-17.83%
Capital Assets, Net	12,788,855.49	13,113,208.30	(324,352.81)	-2.47%
Other Noncurrent	1,355,867.49	1,257,932.22	97,935.27	7.79%
Total Assets	16,001,650.74	16,631,075.55	(629,424.81)	-3.78%
Deferred Outflows of Resources	693,048.00	664,226.00	28,822.00	4.34%
Liabilities				
Current	578,753.68	643,952.12	(65,198.44)	-10.12%
Noncurrent	1,132,977.75	3,837,563.66	(2,704,585.91)	-70.48%
Total Liabilities	1,711,731.43	4,481,515.78	(2,769,784.35)	-61.80%
Deferred Inflows of Resources	2,187,357.00		2,187,357.00	100.00%
Net Position				
Invested in Capital Assets	12,788,855.49	13,113,208.30	(324,352.81)	-2.47%
Restricted	1,826,257.75	1,697,510.26	128,747.49	7.58%
Unrestricted	(1,819,502.93)	(1,996,932.79)	177,429.86	8.89%
Total Net Position	$ 12,795,610.31	$ 12,813,785.77	$ (18,175.46)	-0.14%

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the College's net position changed during the most recent fiscal year. Revenues and expenses are presented in a format that distinguishes between operating and nonoperating revenues and expenses.

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

	2015	2014 *	Increase (Decrease)	Percent Change
Operating Revenues:				
Student Tuition and Fees, Net	$ 569,247.74	$ 647,376.13	$ (78,128.39)	-12.07%
Sales and Services, Net	818,756.83	473,175.90	345,580.93	73.03%
Other Operating Revenues	34,458.61	28,948.09	5,510.52	19.04%
Total Operating Revenues	1,422,463.18	1,149,500.12	272,963.06	23.75%
Operating Expenses:				
Salaries and Benefits	10,726,564.36	11,326,985.76	(600,421.40)	-5.30%
Supplies and Materials	1,413,462.30	1,502,179.24	(88,716.94)	-5.91%
Services	1,489,486.09	1,352,230.72	137,255.37	10.15%
Scholarships and Fellowships	1,548,770.60	1,781,955.79	(233,185.19)	-13.09%
Utilities	391,956.28	436,242.81	(44,286.53)	-10.15%
Depreciation	543,294.36	575,319.08	(32,024.72)	-5.57%
Total Operating Expenses	16,113,533.99	16,974,913.40	(861,379.41)	-5.07%
Operating Loss	(14,691,070.81)	(15,825,413.28)	(1,134,342.47)	-7.17%
Nonoperating Revenues (Expenses):				
State Aid	8,548,810.83	8,534,344.68	14,466.15	0.17%
County Appropriations	1,120,864.15	1,409,840.00	(288,975.85)	-20.50%
Noncapital Grants & Gifts	4,833,104.18	4,763,636.05	69,468.13	1.46%
Investment Income/(Loss)	(26,778.14)	68,757.98	(95,536.12)	-138.95%
Other Nonoperating Revenue	26,531.06	41,592.27	(15,061.21)	-36.21%
Net Nonoperating Revenues	14,502,532.08	14,818,170.98	(315,638.90)	-2.13%
Loss Before Other Revenues	(188,538.73)	(1,007,242.30)	(818,703.57)	-81.28%
Capital Grants	130,893.82	41,212.85	89,680.97	217.60%
State Capital Aid	39,469.45	299,340.16	(259,870.71)	-86.81%
Decrease in Net Position	(18,175.46)	(666,689.29)	648,513.83	-97.27%
Net Position, July 1	12,813,785.77	16,015,676.06	(3,201,890.29)	
Less: Restatement		(2,535,201.00)	(2,535,201.00)	
Net Position, June 30	$ 12,795,610.31	$ 12,813,785.77	$ (18,175.46)	

Fiscal year 2014-2015 total revenues are $16,122,136.67 and total expenses are $16,140,312.13
Fiscal year 2013-2014 total revenues are $17,011,718.04 and total expenses are $17,678,407.33

*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.

Total operating revenues for the College increased 23.75%, or $272,963.06 when compared to June 30, 2014. Tuition and Fees had a reduction of $78,128.39 due to a decline in enrollment. Sales and Services revenue increased 73.03% or $345,580.93. This was primarily due to an increase in bookstore revenue of $269,599.92 caused by an increase in book prices. Also, the child care center revenue increase of $55,958.10 was due to full enrollment from partnering with Choanoke Area Development Association, Inc. (Headstart).

Operating expenses for fiscal year 2015 decreased by 5.07% or $861,379.41. Salaries and benefits decreased by 5.30% or $600,421.40 due to positions that went unfilled throughout the fiscal year, reduction in adjunct faculty, and outsourcing of maintenance and housekeeping. The outsourcing of maintenance and housekeeping was the primary reason for the increase in services. Scholarships and fellowships decrease by 13.09% or $233,185.19 as a result of decreased enrollment and fewer students being eligible for Pell grants. The curriculum Full-Time Equivalent (FTE) earned in 2013-14 fiscal year totaled 1,374 and decreased to 1,257 during the 2014-15 fiscal year (117 FTE).

Total nonoperating revenue decreased by 2.13% or $315,638.90 when compared to fiscal year 2014. The county did not appropriate capital improvement funds in fiscal year 2015.

Noncapital grants and gifts increased by 1.46% or $69,468.13. Noncapital grants student financial aid decreased by $970,954.60 due to a decrease in enrollment. This decrease was offset by increases in other noncapital grants of $954,801.07 due to increases in grants including the Duke Advance Manufacturing Grant, Student Support Services, Golden Leaf, and PBI Formula Grant, as well as an increase in gifts compared to 2014. The investment loss and decrease in other nonoperating revenue was a result of a loss in investment value due to market conditions and the payment of a retirement penalty out of miscellaneous current general funds.

Economic Forecast

Halifax Community College is optimistic about the future and believes it will be an integral part of economic recovery for our service region, Halifax County and western Northampton County. In addition to providing coursework for an Associate's Degree and job skills for a technical education on campus, the College offers the first two years toward a Bachelor's Degree as well as customized training to employers in the service area. The Business and Industry team at the College work closely with the economic development and workforce development personnel in Northampton and Halifax Counties, as well as regional and state economic development personnel.

The Roanoke Valley Early College program has an enrollment of 180 students in grades 8-13. The second class graduated in spring 2015. The students are able to complete their high school education while earning college credits. Many will graduate from high school with up to 2 years of college credit for free. This allows them a jump start on further education or makes them immediately employable for technical positions. The College has several grants with objectives of student success and economic development in the region and continues to seek additional resources to meet the needs of students and employers in the region. For example, Golden Leaf Foundation ($450,000) and Duke Energy ($249,958) awarded grants to improve and expand the industrial maintenance program.

Request for Information

This financial report is designed to provide an overview of Halifax Community College's finances. Questions concerning any of this information should be addressed to the Vice President of Administrative Services, Halifax Community College, 100 College Drive, Weldon, NC 27890, (252) 536-7213.

FINANCIAL STATEMENTS

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

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	650,541.06
Restricted Cash and Cash Equivalents		452,989.27
Restricted Short-Term Investments		65,919.03
Receivables, Net (Note 4)		330,707.84
Due from State of North Carolina Component Units		11,682.16
Inventories		327,298.05
Prepaid Items		17,510.95
Notes Receivable, Net (Note 4)		279.40
Total Current Assets		1,856,927.76
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		124,046.87
Restricted Due from Primary Government		133,749.37
Endowment Investments		730,343.15
Other Restricted Investments		367,728.10
Capital Assets - Nondepreciable (Note 5)		194,800.00
Capital Assets - Depreciable, Net (Note 5)		12,594,055.49
Total Noncurrent Assets		14,144,722.98
Total Assets		16,001,650.74
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		693,048.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		378,021.01
Due to Primary Government		937.73
Unearned Revenue		35,842.56
Funds Held for Others		11,595.46
Long-Term Liabilities - Current Portion (Note 7)		152,356.92
Total Current Liabilities		578,753.68
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		1,132,977.75
Total Liabilities		1,711,731.43
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		2,187,357.00

NET POSITION

Investment in Capital Assets	12,788,855.49
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	753,518.15
Expendable:	
Scholarships and Fellowships	572,438.41
Loans	13,027.47
Capital Projects	234,347.69
Restricted for Specific Programs	87,982.29
Other	164,943.74
Unrestricted	(1,819,502.93)
Total Net Position	$ 12,795,610.31

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

Halifax 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)	$	569,247.74
State and Local Grants and Contracts		8,588.36
Sales and Services, Net (Note 9)		818,756.83
Other Operating Revenues		25,870.25
Total Operating Revenues		1,422,463.18
EXPENSES		
Operating Expenses:		
Salaries and Benefits		10,726,564.36
Supplies and Materials		1,413,462.30
Services		1,489,486.09
Scholarships and Fellowships		1,548,770.60
Utilities		391,956.28
Depreciation		543,294.36
Total Operating Expenses		16,113,533.99
Operating Loss		(14,691,070.81)
NONOPERATING REVENUES (EXPENSES)		
State Aid		8,548,810.83
County Appropriations		1,120,864.15
Noncapital Grants - Student Financial Aid		3,135,899.88
Noncapital Grants		1,494,297.12
Noncapital Gifts		202,907.18
Investment Loss		(26,778.14)
Other Nonoperating Revenues		26,531.06
Net Nonoperating Revenues		14,502,532.08
Loss Before Other Revenues		(188,538.73)
State Capital Aid		39,469.45
Capital Grants		130,893.82
Decrease in Net Position		(18,175.46)
NET POSITION		
Net Position, July 1, 2014 as Restated (Note 15)		12,813,785.77
Net Position, June 30, 2015	$	12,795,610.31

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

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 1,411,709.40
Payments to Employees and Fringe Benefits	(11,224,845.81)
Payments to Vendors and Suppliers	(3,318,473.14)
Payments for Scholarships and Fellowships	(1,493,072.57)
Collection of Loans to Students	521.50
Other Receipts	40,142.53
Net Cash Used by Operating Activities	(14,584,018.09)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	8,548,810.83
County Appropriations	1,120,864.15
Noncapital Grants - Student Financial Aid	3,141,247.25
Noncapital Grants	1,365,219.29
Noncapital Gifts	192,018.18
Cash Provided by Noncapital Financing Activities	14,368,159.70
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	55,651.46
Capital Grants	130,893.82
Acquisition of Capital Assets	(224,737.78)
Net Cash Used by Capital and Related Financing Activities	(38,192.50)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	857,748.39
Investment Income	31,747.60
Purchase of Investments and Related Fees	(1,594,377.20)
Net Cash Used by Investing Activities	(704,881.21)
Net Decrease in Cash and Cash Equivalents	(958,932.10)
Cash and Cash Equivalents, July 1, 2014	2,186,509.30
Cash and Cash Equivalents, June 30, 2015	$ 1,227,577.20

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(14,691,070.81)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		543,294.36
Pension Expense		253,960.00
Nonoperating Other Income		40,427.29
Changes in Assets, Liabilities, and Deferred Outflows of Resources:		
Receivables, Net		40,823.58
Inventories		(3,606.56)
Prepaid Items		27,798.37
Notes Receivable, Net		521.50
Accounts Payable and Accrued Liabilities		(53,447.66)
Due to State of North Carolina Component Units		437.73
Unearned Revenue		4,120.67
Funds Held for Others		(284.76)
Deferred Outflows - Contributions After the Measurement Date		(693,048.00)
Compensated Absences		(53,943.80)
Net Cash Used by Operating Activities	$	(14,584,018.09)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	650,541.06
Restricted Cash and Cash Equivalents		452,989.27
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		124,046.87
Total Cash and Cash Equivalents - June 30, 2015	$	1,227,577.20

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	$	(148,292.08)
Increase in Receivables Related to Nonoperating Income		54,475.93
Loss on Disposal of Capital Assets		(5,796.23)

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

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is blended in the College's financial statements. The blended component unit, although legally separate, is, in substance, part of the College's operations and therefore, is reported as if it were part of the College. See below for further discussion of the College's component unit.

Blended Component Unit - Although legally separate, Halifax Community College Foundation, Inc. is reported as if it was part of the College. The Foundation is governed by a 12-member board consisting of 4 ex officio directors and 8 elected directors. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the elected directors of the Foundation are appointed by the members of the Halifax Community College Board of Trustees and the Foundation's sole purpose is to benefit Halifax Community College, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the College Controller's Office, Halifax Community College, PO Box 809 Weldon, NC 27890, or by calling (252) 536-7269. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

Condensed combining information regarding blended component unit is provided in Note 14.

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 Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic*

Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities, the full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

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

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

D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and cash on deposit in money market accounts.

E. **Investments** - Investments generally are reported at fair value, as determined by quoted market prices or estimated amounts determined by management if quoted market prices are not available. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

F. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.

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

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 over the estimated useful lives of the assets in the following manner:

Asset Class	Estimated Useful Life
Buildings	30-50 years
Machinery & Equipment	5-42 years
General Infrastructure	25-50 years

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

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

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

K. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each 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, not to exceed 30 days.

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 fiscal year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

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

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

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

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

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

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

M. **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.

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

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

O. Internal Sales Activities - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as the bookstore. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits - The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at

June 30, 2015 was $2,562.80. The carrying amount of the College's deposits with private financial institutions was $1,225,014.40, and the bank balance was $1,275,993.10.

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 pooling method. As of June 30, 2015, the blended component unit's portion of the bank balance in excess of federal depository insurance coverage was $31,051.55 and was uninsured and uncollateralized.

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

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

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to G.S. 147-69.2. This statute authorizes investments for special funds held by the State Treasurer and includes the following investments: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities, bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments and obligations of certain entities with specified ratings.

Investments of the College's component unit, Halifax 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.

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

Investments

	Fair Value
Investment Type	
Mutual Funds	$ 1,163,990.28

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

Cash on Hand	$ 2,562.80
Carrying Amount of Deposits with Private Financial Institutions	1,225,014.40
Investments	1,163,990.28
Total Deposits and Investments	$ 2,391,567.48
Deposits	
Current:	
Cash and Cash Equivalents	$ 650,541.06
Restricted Cash and Cash Equivalents	452,989.27
Noncurrent:	
Restricted Cash and Cash Equivalents	124,046.87
Total Deposits	1,227,577.20
Investments	
Current:	
Restricted Short-Term Investments	65,919.03
Noncurrent:	
Endowment Investments	730,343.15
Other Restricted Investments	367,728.10
Total Investments	1,163,990.28
Total Deposits and Investments	$ 2,391,567.48

NOTE 3 - ENDOWMENT INVESTMENTS

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

Investment return of the College's foundation endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure. Annual payouts from the College's foundation endowment funds are based on a fixed percentage of the three year rolling average of the market value of the endowment at fiscal year-end. The payout rate is currently 3% of the three year rolling average.

The Foundation provided scholarships that exceeded the related endowment's available annual payouts in prior years. As a result, the Foundation has spent all unrestricted funds, to the point that total assets are not sufficient to cover restrictions. This has resulted in a reduction to the restricted expendable scholarships and fellowships balance. At June 30 2015, the amount of the deficit reported against the restricted expendable scholarships balances was $139,844.96. This is a reduction from the prior year of $41,255.30. As the endowments continue to distribute, the underwater balances will eventually recover and awarding of the currently underwater scholarships can resume.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 557,570.48	$ 439,418.79	$ 118,151.69
Student Sponsors	79,013.60		79,013.60
Accounts	15,044.05		15,044.05
Intergovernmental	111,910.50		111,910.50
Pledges	6,588.00		6,588.00
Total Current Receivables	$ 770,126.63	$ 439,418.79	$ 330,707.84
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	$ 800.90	$ 521.50	$ 279.40

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	$ 194,800.00	$ 0.00	$ 0.00	$ 194,800.00
Total Capital Assets, Nondepreciable	194,800.00			194,800.00
Capital Assets, Depreciable:				
Buildings	18,111,761.14			18,111,761.14
Machinery and Equipment	2,312,644.26	224,737.78	151,539.88	2,385,842.16
General Infrastructure	592,177.07			592,177.07
Total Capital Assets, Depreciable	21,016,582.47	224,737.78	151,539.88	21,089,780.37
Less Accumulated Depreciation for:				
Buildings	6,488,049.99	363,155.16		6,851,205.15
Machinery and Equipment	1,488,666.58	166,730.52	145,743.65	1,509,653.45
General Infrastructure	121,457.60	13,408.68		134,866.28
Total Accumulated Depreciation	8,098,174.17	543,294.36	145,743.65	8,495,724.88
Total Capital Assets, Depreciable, Net	12,918,408.30	(318,556.58)	5,796.23	12,594,055.49
Capital Assets, Net	$ 13,113,208.30	$ (318,556.58)	$ 5,796.23	$ 12,788,855.49

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	$ 217,588.21
Accrued Payroll	148,028.49
Intergovernmental Payables	12,404.31
Total Current Accounts Payable and Accrued Liabilities	$ 378,021.01

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2014 (As Restated)	Additions	Reductions	Balance June 30, 2015	Current Portion
Net Pension Liability	$ 3,199,427.00	$ 0.00	$ 2,597,623.00	$ 601,804.00	$ 0.00
Compensated Absences	737,474.47	487,819.77	541,763.57	683,530.67	152,356.92
Total Long-Term Liabilities	$ 3,936,901.47	$ 487,819.77	$ 3,139,386.57	$ 1,285,334.67	$ 152,356.92

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

NOTE 8 - OPERATING LEASE OBLIGATIONS

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

Fiscal Year	Amount
2016	$ 44,073.78
2017	24,486.93
2018	14,333.64
2019	14,333.64
2020	14,333.64
2021-2025	1,576.99
Total Minimum Lease Payments	$ 113,138.62

Rental expense for all operating leases during the year was $56,788.26.

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	$ 2,050,005.52	$ 0.00	$ 1,304,687.51	$ 176,070.27	$ 569,247.74
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Facility	$ 3,395.00	$ 0.00	$ 0.00	$ 0.00	$ 3,395.00
Patron Fees-Cosmetology	19,974.00				19,974.00
Patron Fees-Child Care	195,536.89				195,536.89
Patron Fees-Dental Hygiene	26,959.50				26,959.50
Centre	93,136.70				93,136.70
Bookstore	1,173,508.86	18,332.69	679,658.11		475,518.06
Vending	4,236.68				4,236.68
Total Sales and Services	$ 1,516,747.63	$ 18,332.69	$ 679,658.11	$ 0.00	$ 818,756.83

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	$ 5,701,644.25	$ 113,794.09	$ 154,101.71	$ 0.00	$ 0.00	$ 0.00	$ 5,969,540.05
Public Service		107,821.54	37,490.38				145,311.92
Academic Support	1,323,209.17	41,924.75	15,020.11				1,380,154.03
Student Services	1,591,025.57	127,675.97	125,928.81				1,844,630.35
Institutional Support	1,634,827.99	130,662.14	407,843.99				2,173,334.12
Operations and Maintenance of Plant	45,607.10	64,897.60	573,560.94		391,956.28		1,076,021.92
Student Financial Aid		240.45	12,740.67	1,548,770.60			1,561,751.72
Auxiliary Enterprises	176,290.28	826,445.76	162,799.48				1,165,535.52
Depreciation						543,294.36	543,294.36
Pension Expense	253,960.00						253,960.00
Total Operating Expenses	$ 10,726,564.36	$ 1,413,462.30	$ 1,489,486.09	$ 1,548,770.60	$ 391,956.28	$ 543,294.36	$ 16,113,533.99

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 $693,047.61, and employee contributions were $454,457.45 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 $601,804.00 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 .05133%, which was a decrease of 2.60% from its proportion measured as of June 30, 2013.

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

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

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

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

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

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

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

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

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

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

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

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 4,320,164.00	$ 601,804.00	$ (2,537,810.00)

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 $253,960.00. 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	$ 140,277.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		2,033,275.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions		13,805.00
Contributions Subsequent to the Measurement Date	693,048.00	
Total	$ 693,048.00	$ 2,187,357.00

The amount of $693,048.00 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	$ (548,975.00)
2017	(548,975.00)
2018	(548,975.00)
2019	(540,432.00)
Total	$ (2,187,357.00)

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 $415,828.56, $412,753.81, and $402,927.38, 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 $31,054.59, $33,631.79, and $33,450.58, 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. 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. Employees paid from county and institutional funds are covered by commercial insurance with coverage of $100,000 with a $1,000 deductible.

4. Statewide Workers' Compensation Program

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

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

5. **Other Insurance Held by the College**

Teachers and students are covered for medical malpractice through Health Care Providers Services Organizations. Students pay $16.00 per year for coverage, while teachers are covered for free. The limits of liability are $2,000,000 each claim and $5,000,000 aggregate.

NOTE 14 - BLENDED COMPONENT UNIT

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

Condensed Statement of Net Position
June 30, 2015

	Halifax Community College	Halifax Community College Foundation, Inc.	Total
ASSETS			
Current Assets	$ 1,678,875.12	$ 178,052.64	$ 1,856,927.76
Capital Assets	12,788,855.49		12,788,855.49
Noncurrent Assets	130,666.24	1,225,201.25	1,355,867.49
Total Assets	14,598,396.85	1,403,253.89	16,001,650.74
TOTAL DEFERRED OUTFLOWS OF RESOURCES	693,048.00		693,048.00
LIABILITIES			
Current Liabilities	578,753.68		578,753.68
Noncurrent Liabilities	1,132,977.75		1,132,977.75
Total Liabilities	1,711,731.43		1,711,731.43
TOTAL DEFERRED INFLOWS OF RESOURCES	2,187,357.00		2,187,357.00
NET POSITION			
Net Investment in Capital Assets	12,788,855.49		12,788,855.49
Restricted - Nonexpendable		753,518.15	753,518.15
Restricted - Expendable	423,183.86	649,555.74	1,072,739.60
Unrestricted	(1,819,502.93)		(1,819,502.93)
TOTAL NET POSITION	$ 11,392,536.42	$ 1,403,073.89	$ 12,795,610.31

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

	Halifax Community Collge	Halifax Community College Foundation, Inc.	Eliminations	Total
OPERATING REVENUES				
Student Tuition and Fees	$ 569,247.74	$ 0.00	$ 0.00	$ 569,247.74
Sales and Services	818,756.83			818,756.83
Other	34,458.61			34,458.61
Contributions		150,326.18	(150,326.18)	
Total Operating Revenues	1,422,463.18	150,326.18	(150,326.18)	1,422,463.18
OPERATING EXPENSES				
Operating Expenses	15,489,398.99	80,840.64		15,570,239.63
Depreciation	543,294.36			543,294.36
Total Operating Expenses	16,032,693.35	80,840.64		16,113,533.99
Operating Income / (Loss)	(14,610,230.17)	69,485.54	(150,326.18)	(14,691,070.81)
NONOPERATING REVENUES (EXPENSES)				
State Aid	8,548,810.83			8,548,810.83
County Approriations	1,120,864.15			1,120,864.15
Noncapital Gifts and Grants	4,682,778.00		150,326.18	4,833,104.18
Investment Loss		(26,778.14)		(26,778.14)
Other	26,531.06			26,531.06
Net Nonoperating Revenues	14,378,984.04	(26,778.14)	150,326.18	14,502,532.08
Capital Gifts and Grants	70,363.27	100,000.00		170,363.27
Increase(Decrease) in Net Position	(160,882.86)	142,707.40		(18,175.46)
NET POSITION				
Net Position, July 1, 2014 (As Restated)	11,553,419.28	1,260,366.49		12,813,785.77
Net Position, June 30, 2015	$ 11,392,536.42	$ 1,403,073.89	$ 0.00	$ 12,795,610.31

Condensed Statement of Cash Flows
June 30, 2015

	Halifax Community College	Halifax Community College Foundation, Inc.	Total
Net Cash (Used) / Provided by Operating Activities	$ (14,650,714.63)	$ 66,696.54	$ (14,584,018.09)
Net Cash Provided by Noncapital Financing Activities	14,368,159.70		14,368,159.70
Net Cash (Used) / Provided by Capital and Related Financing Activities	(138,192.50)	100,000.00	(38,192.50)
Net Cash (Used) / Provided by Investing Activities	640.91	(705,522.12)	(704,881.21)
Net Decrease in Cash and Cash Equivalents	(420,106.52)	(538,825.58)	(958,932.10)
Cash and Cash Equivalents, July 1, 2014	1,415,188.11	771,321.19	2,186,509.30
Cash and Cash Equivalents, June 30, 2015	$ 995,081.59	$ 232,495.61	$ 1,227,577.20

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	$	15,348,986.77
Restatement:		
Record the College's Net Pension Liability and Pension Related Deferred Outflows of Resources per GASB 68 Requirements		(2,535,201.00)
July 1, 2014 Net Position as Restated	$	12,813,785.77

REQUIRED SUPPLEMENTARY INFORMATION

Halifax 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	0.05133%	0.0527%
Proportionate Share of TSERS Collective Net Pension Liability	$ 601,804.00	$ 3,199,427.00
Covered-Employee Payroll	$ 7,643,589.07	$ 7,602,403.48
Net Pension Liability as a Percentage of Covered-Employee Payroll	7.87%	42.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

Halifax 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	$ 693,047.61	$ 664,227.89	$ 633,280.21	$ 563,929.47	$ 376,569.03
Contributions in Relation to the Contractually Determined Contribution	693,047.61	664,227.89	633,280.21	563,929.47	376,569.03
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 7,574,290.79	$ 7,643,589.07	$ 7,602,403.48	$ 7,579,697.22	$ 7,639,317.07
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	$ 274,582.76	$ 268,095.48	$ 227,881.14	$ 195,665.95	$ 165,710.50
Contributions in Relation to the Contractually Determined Contribution	274,582.76	268,095.48	227,881.14	195,665.95	165,710.50
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 7,691,393.94	$ 7,979,032.14	$ 7,471,512.72	$ 7,355,862.70	$ 7,081,645.36
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

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

Changes of Benefit Terms:

Cost of Living Increase

2014	2013	2012	2011	2010	2009	2008	2007	2006
N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

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

Independent Auditor's Report

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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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
Halifax Community College
Weldon, 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 Halifax 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 April 7, 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, CPA
State Auditor

Raleigh, North Carolina

April 7, 2016

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For additional information contact:
Bill Holmes
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NC OSA
The Taxpayers' Watchdog

This audit required 410 audit hours at an approximate cost of $40,590.00.