

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



NASH COMMUNITY COLLEGE

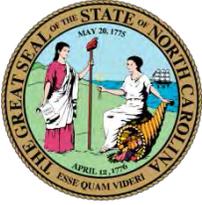
ROCKY MOUNT, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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, Nash Community College

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

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the ways listed in the back of this report.

A handwritten signature in cursive script that reads 'Beth A. Wood'.

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Nash Community College
Rocky Mount, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Nash 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 Nash 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 opinions, insofar as they relate to the amounts included for Nash Community College Foundation, Inc., are 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 Nash 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 Nash 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 13 to the financial statements, during the year ended June 30, 2015, Nash 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 23, 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 23, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Nash Community College's financial statements presents Management's Discussion and Analysis of the College's financial activity during the fiscal years ending June 30, 2015 and June 30, 2014. Management's Discussion and Analysis focuses on current activities, resulting changes, and currently known facts. Please read it in conjunction with the College's basic financial statements and the notes to the financial statements.

Using This Annual Report

The financial statements focus on the College as a whole. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The Statement of Net Position is similar to bottom line results for the College, combining and consolidating current financial resources with capital assets. The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross and the net costs of College activities, which are supported by state funds, county appropriations and other revenues. This approach summarizes and simplifies the user's analysis of costs of various College services to students and the public. The Statement of Cash Flows provides detail on the College's cash activity for the year. The direct method is used to present cash flows. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided.

Financial Highlights

Statement of Net Position

The Statement of Net Position provides information regarding the College's assets, liabilities, deferred inflows and outflows of resources, and net position as of June 30, 2015.

Condensed Financial Statements Statement of Net Position			
	2015	2014 (as restated)	Increase/ (Decrease)
Assets:			
Current Assets	\$ 3,207,973.76	\$ 2,309,117.58	\$ 898,856.18
Noncurrent Assets:			
Other Noncurrent Assets	402,802.70	1,909,279.67	(1,506,476.97)
Capital Assets	32,180,207.63	23,827,607.67	8,352,599.96
Total Assets	35,790,984.09	28,046,004.92	7,744,979.17
Deferred Outflows of Resources:			
Deferred Outflows Related to Pensions	1,483,492.00	1,050,613.00	432,879.00
Total Deferred Outflows of Resources	1,483,492.00	1,050,613.00	432,879.00
Liabilities:			
Current Liabilities	1,847,576.57	2,173,338.87	(325,762.30)
Noncurrent Liabilities	2,724,152.58	6,420,902.13	(3,696,749.55)
Total Liabilities	4,571,729.15	8,594,241.00	(4,022,511.85)
Deferred Inflows of Resources:			
Deferred Inflows Related to Pensions	3,788,154.00		3,788,154.00
Total Deferred Inflows of Resources	3,788,154.00		3,788,154.00
Net Position:			
Net Investment in Capital Assets	32,180,207.63	23,827,607.67	8,352,599.96
Restricted	557,486.88	1,672,942.96	(1,115,456.08)
Unrestricted	(3,823,101.57)	(4,998,173.71)	1,175,072.14
Total Net Position	\$ 28,914,592.94	\$ 20,502,376.92	\$ 8,412,216.02

As of June 30, 2015, the College's net position was \$28.9 million; an increase of \$8.4 million from June 30, 2014. Total net position as of June 30, 2015 consists of net investment in capital assets (\$32.2 million), restricted (\$557 thousand) and unrestricted (-\$3.8 million). Net investment in capital assets increased by \$8.4 million due to the completion of the Continuing Education Building project.

The total assets recorded by the College as of June 30, 2015 were \$35.8 million. Current assets increased by \$899 thousand. Current cash increased by \$575 thousand due to increases in enrollment, bookstore sales, and student fees. Current restricted cash increased by \$535 thousand due to Continuing Education Building funds related to current liabilities (\$388 thousand), and funds received for the Duke Energy Robotics Grant and Duke Water Quality Grant (\$348 thousand). Other noncurrent assets decreased by \$1.5 million which was mostly attributed to reduced construction receivables from both federal and county sources for the Continuing Education and Public Services Facility (\$1.3 million).

As of June 30, 2015, the College had recorded \$1.9 million in non-depreciable capital assets, \$43.8 million in depreciable capital assets, and \$13.6 million in accumulated depreciation resulting in \$32.2 million in net capital assets. These balances resulted from construction in progress additions of \$8.1 million, construction in progress deletions of \$12.6 million, capital additions of \$13.7 million, disposals of \$117 thousand, and annual depreciation of \$816 thousand. Construction in progress increases and decreases are attributed to the construction and subsequent completion of the new Continuing Education and Public Services Facility. The capital additions figure of \$13.7 million includes the \$12.6 million addition of the Continuing Education building that was completed this year.

Deferred outflows related to pensions were \$1.5 million for the year. This is comprised of \$1.2 million contributions subsequent to the measurement date, and \$331 thousand change in proportion and differences between agency's contributions and proportionate share of contributions. Deferred inflows related to pensions were \$3.8 million for the year. This is comprised of \$3.5 million net difference between projected and actual earnings on pension plan investments, and \$244 thousand difference between actual and expected experience. As part of the GASB 68 implementation (effective for fiscal year June 30, 2015), community colleges are now required to make year-end entries to record their proportionate share of the TSERS net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources.

Current liabilities decreased by \$325 thousand which is mostly attributed to reduced accrued payables associated with the Continuing Education and Public Services Facility construction project. Current liabilities total \$1.8 million and include \$196 thousand as the current portion of accrued leave, \$320 thousand in accrued payroll, \$282 thousand in retainage payable and \$757 thousand in accounts payable. In non-current liabilities, long-term liabilities are compensated absences, consisting of \$1.5 million in accumulated vacation and bonus leave that will not be paid within the next fiscal year, \$1.0 million in net pension liability and \$208 thousand of funds held for others. The \$3.7 million decrease in long-term liabilities is due primarily to the \$4.0 million reduction in net pension liability. The total liabilities recorded by the College at June 30, 2015 were \$4.6 million.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position provides information regarding the College's activities for the year ending June 30, 2015.

Statement of Revenues, Expenses, and Changes in Net Position			
	2015	2014*	Increase/ (Decrease)
Operating Revenues and Expenses:			
Total Operating Revenues	\$ 4,998,849.84	\$ 4,985,671.26	\$ 13,178.58
Less Operating Expenses	29,160,810.76	29,112,098.24	48,712.52
Operating Loss	<u>(24,161,960.92)</u>	<u>(24,126,426.98)</u>	<u>(35,533.94)</u>
Nonoperating Revenues:			
State Aid	13,205,504.99	12,825,151.99	380,353.00
County Appropriations	1,645,000.00	1,641,676.00	3,324.00
Noncapital Grants - Federal Student Financial Aid	7,664,074.33	7,332,358.31	331,716.02
Noncapital Grants	1,197,426.43	752,411.20	445,015.23
Noncapital Gifts	298,461.84	304,003.24	(5,541.40)
Investment Income	7,647.80	5,459.76	2,188.04
Other Nonoperating Revenues	<u>200.68</u>	<u>19,261.45</u>	<u>(19,060.77)</u>
Nonoperating Revenues	<u>24,018,316.07</u>	<u>22,880,321.95</u>	<u>1,137,994.12</u>
Loss Before Other Revenues	(143,644.85)	(1,246,105.03)	1,102,460.18
Capital Aid, Gifts, and Grants	<u>8,555,860.87</u>	<u>5,118,058.74</u>	<u>3,437,802.13</u>
Increase in Net Position	8,412,216.02	3,871,953.71	4,540,262.31
Net Position, July 1	20,502,376.92	20,600,543.21	(98,166.29)
Less: Restatement		<u>3,970,120.00</u>	<u>3,970,120.00</u>
Net Position, June 30	<u>\$ 28,914,592.94</u>	<u>\$ 20,502,376.92</u>	<u>\$ 8,412,216.02</u>

Fiscal year 2014-2015 total revenues are \$37,573,026.78 and total expenses are \$29,160,810.76.

Fiscal year 2013-2014 total revenues are \$32,984,051.95 and total expenses are \$29,112,098.24.

* Note: The year ended June 30, 2014 column is not presented "as restated" above because actuarial calculations performed relative to the implementation of GASB 68 do not provide sufficient information to restate these amounts.

Operating revenues and expenses were fairly consistent year over year. Operating revenues at June 30, 2015 increased by \$13 thousand, while operating expenses increased by \$49 thousand. Nonoperating revenues at June 30, 2015 increased by \$1.1 million. State Aid increased by \$380 thousand due to an additional 76 full-time equivalents being funded over the previous year. Noncapital grants increased by \$445 thousand due largely to new grants such as the Biomanufacturing and Logistics Training Grant, Duke Energy Robotics Grant, and the Duke Energy Water Quality Grant. Additional information on these grants is provided in the Supplementary Information section of this MD&A. Capital Aid, Gifts, and Grants increased by \$3.4 million due to capital funds received for the Continuing Education building. Net Position as of July 1, 2015 was restated to \$20.5 million to reflect the net pension liability and pension related deferred outflows of resources per GASB 68 requirements. The following table charts operating revenues by source.

	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>
Student Tuition and Fees, Net	\$ 2,652,210.86	\$ 2,648,112.58	\$ 4,098.28
Federal Grants and Contracts	596,751.33	614,638.71	(17,887.38)
State and Local Grants and Contracts	77,398.54	71,752.89	5,645.65
Sales and Services, Net	1,650,503.86	1,626,186.08	24,317.78
Other Operating Revenues	<u>21,985.25</u>	<u>24,981.00</u>	<u>(2,995.75)</u>
Total Operating Revenues	<u>\$ 4,998,849.84</u>	<u>\$ 4,985,671.26</u>	<u>\$ 13,178.58</u>

Total operating expenses at June 30, 2015 were \$29.1 million – a slight increase of \$49 thousand over the June 2014 total. Salaries and benefits increased by \$238 thousand. Approximately 8 full-time positions were added increasing salaries and benefits by \$568 thousand, and pay increases related to merit and changes in responsibility increased salary and benefit expense by \$128 thousand. The employer's contribution rate increased from 14.69% in 2014 to 15.21% in 2015, increasing retirement costs by an additional \$163 thousand. Pension expense in the amount of \$536 thousand was recorded due to the GASB 68 implementation. Offsetting these salary and benefits increases the entry to record pension contributions after the measurement date (a new GASB 68 requirement) resulted in a \$1.2 million decrease to retirement expense. Supplies and materials increased by \$495 thousand, mostly due to the \$371 thousand increase in books purchased by the bookstore. Services decreased by \$493 thousand, due to reduced payment amounts to Wilson Community College for the NC301 Grant (\$184 thousand), reduced printing expenses (\$113 thousand), and reduced contracted instruction expense in the truck driving program (\$92 thousand).

	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>
Salaries and Benefits	\$ 18,290,633.34	\$ 18,053,008.42	\$ 237,624.92
Supplies and Materials	4,212,833.20	3,717,595.10	495,238.10
Services	1,930,901.19	2,423,961.69	(493,060.50)
Scholarships and Fellowships	3,319,852.06	3,541,965.00	(222,112.94)
Utilities	590,570.25	530,922.47	59,647.78
Depreciation	<u>816,020.72</u>	<u>844,645.56</u>	<u>(28,624.84)</u>
Total Operating Expenses	<u>\$ 29,160,810.76</u>	<u>\$ 29,112,098.24</u>	<u>\$ 48,712.52</u>

Other Information

The full-time equivalents (FTEs) that generate the College's state budget (budget FTEs) increased overall from 2013-2014 to 2014-2015:

	<u>2014-2015</u>	<u>2013-2014</u>	<u>Increase/ (Decrease)</u>
Curriculum	2,618	2,545	73
Occupational Extension	424	428	(4)
Basic Skills	<u>163</u>	<u>156</u>	<u>7</u>
Total FTEs	<u>3,205</u>	<u>3,129</u>	<u>76</u>

Curriculum enrollment remains steady with Fall 2014 headcount totaling 3,603 students and Spring 2015 enrollment at 3,313. The College had an increase of 76 in budget FTE from 2013-2014 to 2014-2015. This growth can be attributed in part to quality instruction, efficiency in course offerings, and the continuation of TAACCCT and Project NC 301 grant funding. Steady enrollment growth is now being realized from the College's focus on student retention and progression through the Quality Enhancement Plan (QEP), and initiatives such as Advancement via Individual Determination (AVID) and "blue love."

Supplementary Information

Construction of the Continuing Education and Public Services Facility is complete. On May 8, 2012, the Nash County voters overwhelming voted to support the \$9.5 million community college bond referendum in support of the new building, and construction was completed June 5, 2015. The total cost of the project was \$14.1 million paid for as follows – county bond \$9.5 million, county capital outlay \$581 thousand, donations \$517 thousand, EDA Grant \$1.3 million, Mission Critical Grant \$475 thousand, Biomufacturing and Logistics Training Grant \$190 thousand, school funds \$409 thousand, and state funds \$1.1 million. The 78,000 square foot building provides classrooms, faculty offices, support spaces, compensatory education, literacy education, occupational education training, a multi-purpose training center, and indoor firing range. In addition, vacated classroom space in existing facilities is being renovated.

Nash Community College is part of a 10 community college consortium led by Robeson Community College that received the NCAMA Grant in October 2011. This federal grant was awarded as part of the Department of Labor's Trade Adjustment Assistance Community College and Career Training Grant Program (TAACCCT) and targets job training in Advanced Manufacturing certificate, diploma, and degree programs and various professional industry certifications. Nash Community College received approximately \$1.9 million in grant funds. The original three year grant was extended an additional year to September 30, 2015. The grant was approved to establish a Siemens/Festo Mechatronics Certification Program. Grant funds have been used to purchase Festo specific equipment that provides training activities required for certification for the following curriculum programs – Electronic Engineering, Electrical/Electronics, Computer Integrated Machining, Computer Engineering, Industrial Systems, and Welding.

Nash Community College, as a member of the Mission Critical Operations consortium led by Cleveland Community College, is the recipient of a \$2.5 million grant from the Department of Labor Employment Training Administration. Over \$23 million was awarded to the consortium of college and university partners for the development of a Mission Critical Operations program. The grant will enhance programs such as Electric Line Construction, Emergency Management, and Networking Technology to create career pathways towards a mission critical workforce that is able to anticipate, prevent, mitigate, and respond to crisis and events of industries and municipalities.

Nash Community College was awarded a grant from Duke Energy in the amount of \$250 thousand for a Robotics Training Lab. The NCC Robotics Training Lab will teach robotics, process and logistics controls, control wiring, instrumentation, and motors and controls skills to prepare students and workers for positions in packaging/handling or mechanical assembly. Grant funds will be used to purchase 2 FANUC robots, 4 Festo Robot Assembly tables and an automated maneuverable robot system that is used in packaging/handling and mechanical assembly lines. Students from the Electrical Electronics,

Electrical Systems, Computer-Integrated Machining, and Industrial Systems program will use the Robotics Training Lab to prepare for a variety of production occupations in advanced manufacturing.

Nash Community College has received a grant from Golden Leaf Foundation for Biomanufacturing and Logistics Training through Interactive and Accessible Instruction in the amount of \$190 thousand. The purpose of the grant is to support the design and construction of a biomanufacturing training facility in the Corporate Training Wing of the Continuing Education and Public Services Building. Funds will be used to design, upfit, and purchase equipment for the aseptic training lab for gowning and clean room training. Also, a mobile synchronous instruction unit will be purchased, allowing offsite employers and trainers to interact with students. Training will be provided for students that need requisite skills to be eligible for employment in bio-manufacturing, including gowning and aseptic handling.

Nash Community College was awarded a Water Resources Grant from Duke Energy in the amount of \$100 thousand. Grant funds are to be used to support science-based, research-supported projects and programs that provide direct benefits in water quality, fish, and wildlife habitats, public use and access to waterways, and public awareness about individual's roles in protecting water resources. NCC biology students will conduct research to assess the relative impact of different land uses and invasive species dynamics on aquatic systems and endemic organisms of the Neuse River and Tar-Pamlico River Basins. Maps will be produced showing land use, invasive species, water quality, and the presence of an endemic waterdog. Students will gain hands on experience in research protocol, data collection, analysis, and reporting.

Nash Community College became one of the first community colleges in North Carolina to launch a Brewing, Distillation and Fermentation Associate Degree Program. The degree program comes on the heels of the revitalization efforts of the Rocky Mount Brewmill, an incubator for craft breweries. The College has teamed with the Brewmill to align program offerings with local efforts – aspiring brewers can take classes on an entrepreneurial track to learn the trade – from sourcing ingredients to purchasing equipment to marketing and packaging the beer – and others can learn the manufacturing-related tasks like stainless steel welding, plumbing, and wiring. In addition, the Brewing, Distillation, and Fermentation curriculum offers value added certificates that will enhance the already popular Culinary Arts and Hospitality Management degree programs.

Nash Community College has enhanced its online offerings to meet the needs of students regardless of a student's location with the launch of "Nash Online." An Associate in Arts or Associate in Science degree can be obtained completely online through Nash Online. The emphasis on online delivery gives students the same quality service online as the students in face to face, on-campus courses. Added services such as e-learning support, login assistance, troubleshooting for instructional delivery systems, tutorials, and other instructional resources are now available to all online students. In addition, the campus store, library services, tutoring, and Tutoring for Life services for alumni are also offered online. Nash Community College is committed to implementing engaging instructional strategies that are proven to support student success.



FINANCIAL STATEMENTS

Nash Community College
Statement of Net Position
June 30, 2015

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 966,999.53
Restricted Cash and Cash Equivalents	1,160,214.42
Short-Term Investments	11,718.04
Receivables, Net (Note 3)	774,582.90
Inventories	294,458.87
Total Current Assets	<u>3,207,973.76</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	269,971.00
Receivables	122,767.96
Restricted Investments	10,063.74
Capital Assets - Nondepreciable (Note 4)	1,920,205.77
Capital Assets - Depreciable, Net (Note 4)	30,260,001.86
Total Noncurrent Assets	<u>32,583,010.33</u>
Total Assets	<u>35,790,984.09</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	<u>1,483,492.00</u>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	1,459,540.32
Due to Primary Government	2,805.46
Unearned Revenue	186,339.83
Funds Held for Others	3,281.75
Long-Term Liabilities - Current Portion (Note 6)	195,609.21
Total Current Liabilities	<u>1,847,576.57</u>

Noncurrent Liabilities:

Funds Held for Others	207,570.20
Long-Term Liabilities (Note 6)	2,516,582.38
Total Noncurrent Liabilities	<u>2,724,152.58</u>
Total Liabilities	<u>4,571,729.15</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	<u>3,788,154.00</u>
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**Nash Community College
Statement of Net Position
June 30, 2015**

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

NET POSITION

Investment in Capital Assets	32,180,207.63
Restricted for:	
Expendable:	
Scholarships and Fellowships	290,381.57
Restricted for Specific Programs	141,023.76
Other	126,081.55
Unrestricted	<u>(3,823,101.57)</u>
Total Net Position	<u>\$ 28,914,592.94</u>

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

Nash 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 7)	\$ 2,652,210.86
Federal Grants and Contracts	596,751.33
State and Local Grants and Contracts	77,398.54
Sales and Services, Net (Note 7)	1,650,503.86
Other Operating Revenues	21,985.25

Total Operating Revenues	4,998,849.84
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EXPENSES

Operating Expenses:

Salaries and Benefits	18,290,633.34
Supplies and Materials	4,212,833.20
Services	1,930,901.19
Scholarships and Fellowships	3,319,852.06
Utilities	590,570.25
Depreciation	816,020.72

Total Operating Expenses	29,160,810.76
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Operating Loss	(24,161,960.92)
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NONOPERATING REVENUES

State Aid	13,205,504.99
County Appropriations	1,645,000.00
Noncapital Grants - Student Financial Aid	7,664,074.33
Noncapital Grants	1,197,426.43
Noncapital Gifts	298,461.84
Investment Income	7,647.80
Other Nonoperating Revenues	200.68

Net Nonoperating Revenues	24,018,316.07
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Loss Before Other Revenues	(143,644.85)
----------------------------	--------------

State Capital Aid	742,211.25
County Capital Aid	6,686,068.49
Capital Grants	787,404.17
Capital Gifts	340,176.96

Increase in Net Position	8,412,216.02
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NET POSITION

Net Position, July 1, 2014 as Restated (Note 13)	20,502,376.92
--	---------------

Net Position, June 30, 2015	\$ 28,914,592.94
-----------------------------	------------------

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

Nash 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	\$ 5,082,362.02
Payments to Employees and Fringe Benefits	(18,675,440.26)
Payments to Vendors and Suppliers	(6,305,419.64)
Payments for Scholarships and Fellowships	(3,322,325.17)
Other Receipts	152,426.87
	<hr/>
Net Cash Used by Operating Activities	(23,068,396.18)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	13,205,504.99
County Appropriations	1,645,000.00
Noncapital Grants - Student Financial Aid	7,664,074.33
Noncapital Grants	1,030,411.67
Noncapital Gifts	298,461.84
	<hr/>
Cash Provided by Noncapital Financing Activities	23,843,452.83

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	743,211.25
County Capital Aid	7,506,679.04
Capital Grants	1,197,485.00
Capital Gifts	240,093.63
Proceeds from Sale of Capital Assets	3,515.22
Acquisition and Construction of Capital Assets	(9,638,769.56)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	52,214.58

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	7,647.80
Purchase of Investments and Related Fees	(3.95)
	<hr/>
Net Cash Provided by Investing Activities	7,643.85

Net Increase in Cash and Cash Equivalents	834,915.08
Cash and Cash Equivalents, July 1, 2014	1,562,269.87
	<hr/>
Cash and Cash Equivalents, June 30, 2015	<u>\$ 2,397,184.95</u>

Nash Community College Foundation, Inc.
Statement of Financial Position
June 30, 2015

Exhibit B-1

ASSETS

Current Assets	
Cash with State Treasurer	\$ 10,282.19
Cash in Private Institutions	838.14
Cash in Investments	9,193.01
Investments	171,324.24
Pledges Receivable	13,824.47
	<hr/>
Total Current Assets	205,462.05
	<hr/>
Endowment Assets	
Cash and Cash Equivalents	227,292.19
Long-term Investments	4,201,133.37
	<hr/>
Total Endowment Assets	4,428,425.56
	<hr/>
Property and Equipment	
Software	15,725.00
Less: Accumulated Depreciation	(15,725.00)
	<hr/>
Net Property and Equipment	0.00
	<hr/>
Other Assets	
Land Held as Investment	26,500.00
	<hr/>
Total Assets	4,660,387.61
	<hr/>

LIABILITIES

Accounts Payable	19.20
	<hr/>

NET ASSETS

Unrestricted	189,633.09
Temporarily Restricted	618,438.49
Permanently Restricted	3,852,296.83
	<hr/>
Total Net Assets	\$ 4,660,368.41
	<hr/> <hr/>

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

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

Exhibit B-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES				
SUPPORT				
Contributions	\$ 25,617.01	\$ 214,670.69	\$ 117,067.57	\$ 357,355.27
In-kind Contributions	181,510.18			181,510.18
Total Support	<u>207,127.19</u>	<u>214,670.69</u>	<u>117,067.57</u>	<u>538,865.45</u>
REVENUE				
Interest Income	53.44			53.44
Income Earned on Investments	8,564.99	206,062.45		214,627.44
Net (Loss) gain on Investments	(8,064.38)	(198,072.73)		(206,137.11)
Fundraising Income	62,098.97			62,098.97
Total Revenue	<u>62,653.02</u>	<u>7,989.72</u>		<u>70,642.74</u>
Net Assets Released from Restrictions	<u>432,535.26</u>	<u>(413,156.00)</u>	<u>(19,379.26)</u>	
Total Support and Revenue	<u>702,315.47</u>	<u>(190,495.59)</u>	<u>97,688.31</u>	<u>609,508.19</u>
EXPENSES				
PROGRAM SERVICES				
Contributions to Nash Community College				
Grants	5,043.35			5,043.35
Scholarships	191,116.80			191,116.80
Program Support	227,153.39			227,153.39
Total Program Services	<u>423,313.54</u>			<u>423,313.54</u>
SUPPORTING SERVICES				
Management and General	147,829.18			147,829.18
Fundraising	108,692.56			108,692.56
Total Supporting Services	<u>256,521.74</u>			<u>256,521.74</u>
OTHER EXPENSES				
Loss on Sale of Townhome	14,493.64			14,493.64
Total Expenses	<u>694,328.92</u>			<u>694,328.92</u>
Change in Net Assets	<u>7,986.55</u>	<u>(190,495.59)</u>	<u>97,688.31</u>	<u>(84,820.73)</u>
Net Assets, Beginning of Year	142,525.80	808,934.08	3,793,729.26	4,745,189.14
Reclassification	39,120.74		(39,120.74)	0.00
Net Assets, Beginning of Year as Restated	<u>181,646.54</u>	<u>808,934.08</u>	<u>3,754,608.52</u>	<u>4,745,189.14</u>
Net Assets, End of Year	<u>\$ 189,633.09</u>	<u>\$ 618,438.49</u>	<u>\$ 3,852,296.83</u>	<u>\$ 4,660,368.41</u>

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. Nash 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 discretely presented in the College's financial statements. See below for further discussion of the College's component unit.

Discretely Presented Component Unit - The Nash Community College Foundation, Inc. (Foundation) is a legally separate, tax-exempt, nonprofit 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 bylaws of the Foundation indicate the Board of Directors shall consist of not less than twenty and not more than thirty-five members. As of June 30, 2015, the Foundation board consisted of twenty-six 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 \$423,313.54 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Nash Community College Foundation, Inc., 522 North Old Carriage Road, Rocky Mount, North Carolina 27804 or by calling (252) 451-8329.

- 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. Investments** - This classification includes funds held in the North Carolina Capital Management Trust, an SEC registered mutual fund. 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, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. 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 average cost 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 method over the estimated useful lives of the assets in the following manner:

Asset Class	Estimated Useful Life
Buildings	10-100 years
Machinery & Equipment	2-30 years
General Infrastructure	10-75 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 and resources whose use is limited by external parties or statute.
- 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 9 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.

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

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

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 - 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 and state aid 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 Print Shop and 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 \$2,815.00. The carrying amount of the College's deposits not with the State Treasurer was \$156,239.68, and the bank balance was \$396,723.06.

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

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

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

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

At June 30, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$2,238,130.27, 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.

At June 30, 2015, the College's investment outside of the STIF is in the North Carolina Capital Management Trust Fund (NCCMT), an SEC registered mutual fund. The fair value of the NCCMT investment at June 30, 2015 is \$21,781.78. The investment is subject to the following risks:

Interest Rate Risk: Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. The College does not have a formal investment policy that addresses interest rate risk. The NCCMT had a maturity of one year or less at June 30, 2015.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have a formal policy that addresses credit risk. As of June 30, 2015, the NCCMT carried a credit rating of AAAM by Standard & Poor's.

Component Unit - Investments of the College's discretely presented component unit, the Nash 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:

Investment Type	Fair Value
Cash in Investments	\$ 9,193.01
Fixed Income Mutual Funds	1,512,664.38
Equity Mutual Funds	2,859,793.23
Total Investments	\$ 4,381,650.62

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	\$	2,815.00
Carrying Amount of Deposits with Private Financial Institutions		156,239.68
Investments in the Short-Term Investment Fund		2,238,130.27
Other Investments		<u>21,781.78</u>
Total Deposits and Investments	\$	<u><u>2,418,966.73</u></u>
Deposits		
Current:		
Cash and Cash Equivalents	\$	966,999.53
Restricted Cash and Cash Equivalents		1,160,214.42
Noncurrent:		
Restricted Cash and Cash Equivalents		<u>269,971.00</u>
Total Deposits		<u><u>2,397,184.95</u></u>
Investments		
Current:		
Short-Term Investments		11,718.04
Noncurrent:		
Restricted Investments		<u>10,063.74</u>
Total Investments		<u><u>21,781.78</u></u>
Total Deposits and Investments	\$	<u><u>2,418,966.73</u></u>

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 307,154.59	\$ 52,051.43	\$ 255,103.16
Student Sponsors	60,697.23		60,697.23
Intergovernmental	205,484.66		205,484.66
Employee	2,814.92		2,814.92
Vendor	171,316.86		171,316.86
Other	<u>79,166.07</u>		<u>79,166.07</u>
Total Current Receivables	<u><u>\$ 826,634.33</u></u>	<u><u>\$ 52,051.43</u></u>	<u><u>\$ 774,582.90</u></u>

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2015, is presented as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets, Nondepreciable:				
Land	\$ 1,845,937.70	\$ 0.00	\$ 0.00	\$ 1,845,937.70
Construction in Progress	4,552,971.12	8,121,065.11	12,599,768.16	74,268.07
Total Capital Assets, Nondepreciable	6,398,908.82	8,121,065.11	12,599,768.16	1,920,205.77
Capital Assets, Depreciable:				
Buildings	21,491,013.34	12,599,768.16		34,090,781.50
Machinery and Equipment	5,793,906.11	1,056,830.10	116,982.62	6,733,753.59
General Infrastructure	3,004,033.81			3,004,033.81
Total Capital Assets, Depreciable	30,288,953.26	13,656,598.26	116,982.62	43,828,568.90
Less Accumulated Depreciation for:				
Buildings	8,957,944.51	521,052.90		9,478,997.41
Machinery and Equipment	2,353,902.01	242,565.14	107,708.09	2,488,759.06
General Infrastructure	1,548,407.89	52,402.68		1,600,810.57
Total Accumulated Depreciation	12,860,254.41	816,020.72	107,708.09	13,568,567.04
Total Capital Assets, Depreciable, Net	17,428,698.85	12,840,577.54	9,274.53	30,260,001.86
Capital Assets, Net	\$ 23,827,607.67	\$ 20,961,642.65	\$ 12,609,042.69	\$ 32,180,207.63

NOTE 5 - 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	\$ 757,335.61
Accrued Payroll	320,304.95
Contract Retainage	282,331.74
Other	99,568.02
Total Current Accounts Payable and Accrued Liabilities	\$ 1,459,540.32

NOTE 6 - 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	\$ 5,020,733.00	\$ 0.00	\$ 3,971,885.00	\$ 1,048,848.00	\$ 0.00
Compensated Absences	1,470,321.33	1,390,085.25	1,197,062.99	1,663,343.59	195,609.21
Total Long-Term Liabilities	\$ 6,491,054.33	\$ 1,390,085.25	\$ 5,168,947.99	\$ 2,712,191.59	\$ 195,609.21

Additional information regarding the net pension liability is included in Note 9.

NOTE 7 - 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	\$ 5,926,160.47	\$ 0.00	\$ 3,247,162.99	\$ 26,786.62	\$ 2,652,210.86
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Food Service	\$ 326,136.44	\$ 0.00	\$ 0.00	\$ 0.00	\$ 326,136.44
Vending	44,196.54				44,196.54
Print Shop	119,480.69	119,480.69			
Bookstore	2,746,439.23	51,720.68	1,821,608.88		873,109.67
Child Development Center	297,757.01				297,757.01
Brown Auditorium	86,542.00				86,542.00
Other	7,423.45				7,423.45
Sales and Services of Education and Related Activities-Cosmetology	15,338.75				15,338.75
Total Sales and Services	\$ 3,643,314.11	\$ 171,201.37	\$ 1,821,608.88	\$ 0.00	\$ 1,650,503.86

NOTE 8 - 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	\$ 11,396,926.23	\$ 1,153,813.85	\$ 877,943.58	\$ 13,079.90	\$ 14,695.00	\$ 0.00	\$ 13,456,458.56
Academic Support	1,386,006.83	44,248.39	55,818.15				1,486,073.37
Student Services	1,064,990.82	12,995.65	51,096.82	29,521.00			1,158,604.29
Institutional Support	2,734,339.02	141,610.13	506,087.54	1,949.51	21,139.40		3,405,125.60
Operations and Maintenance of Plant	579,507.53	394,967.47	160,341.82		554,735.85		1,689,552.67
Student Financial Aid			957.50	3,275,301.65			3,276,259.15
Auxiliary Enterprises	592,653.91	2,465,197.71	278,655.78				3,336,507.40
Depreciation						816,020.72	816,020.72
Pension Expense	536,209.00						536,209.00
Total Operating Expenses	\$ 18,290,633.34	\$ 4,212,833.20	\$ 1,930,901.19	\$ 3,319,852.06	\$ 590,570.25	\$ 816,020.72	\$ 29,160,810.76

NOTE 9 - PENSION PLANS

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 \$1,152,819.31, and employee contributions were \$755,947.09 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 \$1,048,848.00 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 .08946%, which was an increase of 8.17% 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:

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate	1% Increase (8.25%)
\$ 7,529,357.06	\$ 1,048,848.00	\$ (4,422,998.12)

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 \$536,209.00. 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	\$ 244,481.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		3,543,673.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	330,673.00	
Contributions Subsequent to the Measurement Date	1,152,819.00	
Total	<u>\$ 1,483,492.00</u>	<u>\$ 3,788,154.00</u>

The amount of \$1,152,819.00 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	\$ (863,177.00)
2017	(863,177.00)
2018	(863,177.00)
2019	(867,950.00)
Total	<u>\$ (3,457,481.00)</u>

NOTE 10 - 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 the Teachers' and State Employees' Retirement System 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 \$691,691.59, \$652,853.53, and \$602,702.83, 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 \$51,656.38, \$53,195.47, and \$50,035.71, 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 11 - 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. For employees paid with non-state funds, the College has acquired coverage of \$100,000 per occurrence with a \$500 deductible, through a private insurer.

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the College

The College supplements the State's liability coverage by acquiring additional general liability coverage up to \$6,000,000 with a self-retention of \$10,000. As part of the College's insurance portfolio, professional liability coverage is provided for the Board of Trustees, faculty, and staff up to \$1,000,000 with retention of \$1,000. Additional coverage of \$3,000,000 with retention of \$10,000 is provided via the College's excess liability policy.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$21,550.00 and on other purchases were \$746,359.52 at June 30, 2015.
- B. Contingent Liabilities** - The College has conveyed to the U.S. Department of Commerce, Economic Development Administration (EDA) a mortgage lien on the Science & Technology Center in the amount of \$1,000,000. This lien secures the EDA's investment in the building should the College no longer use the building for educational or economic development purposes. This mortgage lien shall terminate and be dismissed 20 years from September 1, 2004.

The College has been granted permission by the North Carolina Community College System Office to enter into a Security Interest Agreement with the U.S. Department of Commerce, Economic Development Administration (EDA) to secure \$1,500,000 in funding to be used for the construction of the Continuing Education and Public Services Facility. The Security Interest Agreement gives the EDA a first lien position on the building for 20 years from July 15, 2013.

NOTE 13 - NET POSITION RESTATEMENT

As of July 1, 2014, net position as previously reported was restated as follows. The implementation of GASB 68 requires a restatement of beginning net position.

	<u>Amount</u>
July 1, 2014 Net Position as Previously Reported	\$ 24,472,496.92
Restatements:	
Record the College's Net Pension Liability and Pension Related Deferred Outflows of Resources per GASB 68 Requirements	<u>(3,970,120.00)</u>
July 1, 2014 Net Position as Restated	<u><u>\$ 20,502,376.92</u></u>



REQUIRED SUPPLEMENTARY INFORMATION

**Nash 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

	<u>2014</u>	<u>2013</u>
Proportionate Share Percentage of Collective Net Pension Liability	0.08946%	0.08270%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 1,048,848.00	\$ 5,020,733.00
Covered-Employee Payroll	\$ 12,089,880.18	\$ 11,371,751.45
Net Pension Liability as a Percentage of Covered-Employee Payroll	8.68%	44.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

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

Exhibit C-2

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually Required Contribution	\$ 1,152,819.31	\$ 1,050,610.59	\$ 947,266.90	\$ 796,506.79	\$ 515,642.40
Contributions in Relation to the Contractually Determined Contribution	<u>1,152,819.31</u>	<u>1,050,610.59</u>	<u>947,266.90</u>	<u>796,506.79</u>	<u>515,642.40</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	\$ 12,599,118.13	\$ 12,089,880.17	\$ 11,371,751.45	\$ 10,705,736.44	\$ 10,459,277.83
Contributions as a Percentage of Covered-Employee Payroll	9.15%	8.69%	8.33%	7.44%	4.93%

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually Required Contribution	\$ 361,172.79	\$ 345,029.82	\$ 294,545.36	\$ 235,079.52	\$ 183,646.91
Contributions in Relation to the Contractually Determined Contribution	<u>361,172.79</u>	<u>345,029.82</u>	<u>294,545.36</u>	<u>235,079.52</u>	<u>183,646.91</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>				
Covered-Employee Payroll	\$ 10,116,884.96	\$ 10,268,744.70	\$ 9,657,224.83	\$ 8,837,575.94	\$ 7,848,158.42
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

Nash 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
Nash Community College
Rocky Mount, 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 Nash 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 23, 2016. Our report includes a reference to other auditors who audited the financial statements of Nash Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Nash 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 Nash Community College Foundation, Inc.

Internal Control Over Financial Reporting

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

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 23, 2016

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