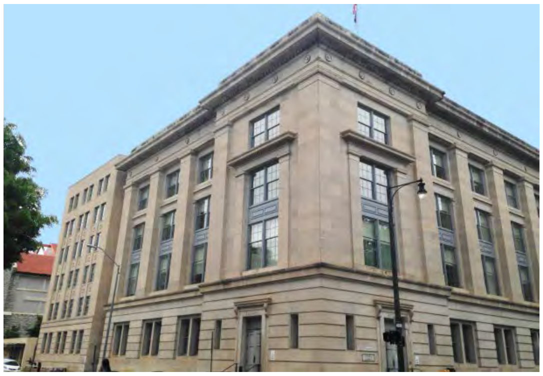
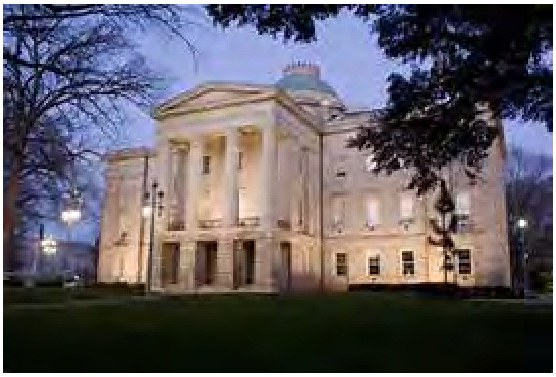
State of North Carolina

Office of The State Auditor

Beth A. Wood, CPA



Pitt Community College

Winterville, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2015

A Component Unit of the State of North Carolina

NC OSA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
http://www.ncauditor.net

AUDITOR'S TRANSMITTAL

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

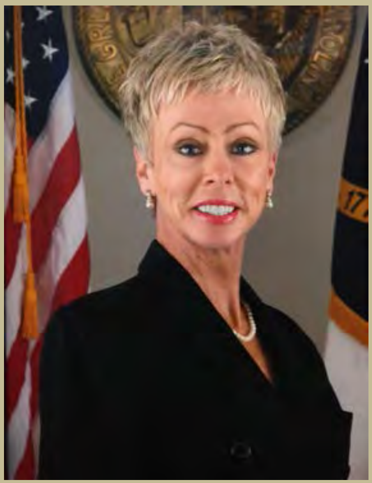
We have completed a financial statement audit of Pitt Community College for the year ended June 30, 2015, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

TABLE OF CONTENTS

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

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
http://www.ncauditor.net

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pitt Community College
Winterville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Pitt 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 Pitt 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 Pitt 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 Pitt 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 Pitt 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, the Pitt Community College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68. – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Pitt Community College's Annual Financial Report provides an overview of the financial activities for the fiscal year ended June 30, 2015, with comparative data for the fiscal year ended June 30, 2014. Information contained herein has been prepared for the purpose of identifying significant transactions, trends, and events that have impacted the fiscal health of the College and that may continue to exert influence in future years. It is recommended that this discussion and analysis be read in conjunction with the College's basic financial statements and the notes to the financial statements.

The Financial Statements

This annual report consists of financial statements which are prepared in accordance with the Governmental Accounting Standards Board (GASB). They are prepared under the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recognized when an obligation has been incurred, regardless of when cash is exchanged. The financial statements presented include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows.

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

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the net position changed during the fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. deferred revenue and earned but unused vacation leave).

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.

Management's Discussion and Analysis will concentrate on the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, using condensed versions for the purposes of this discussion.

Financial Highlights

State funds for community colleges in North Carolina are appropriated by the N.C. General Assembly and distributions are made to colleges by the North Carolina State Board of Community Colleges based on full-time equivalencies (FTE) earned in the prior academic year. Despite trends of decreasing enrollments at community colleges across the state and nation due to an improving economy, Pitt Community College's total budget FTE declined by less than one percent, from 8,220 to 8,116, for 2014-2015. The total budgeted FTE for all 58 Community Colleges in North Carolina declined for the 2014-2015 fiscal year by 2.74%.

The College's total initial state appropriation for 2014-2015 was $44,751,871, an increase of $1,541,967 over the previous year. This increase in budget was mainly due to the $1,000 fixed salary increase for each full-time employee that was appropriated in the budget for salary increases. The North Carolina Community College System also changed its funding allocation formula to recognize different funding levels for different curriculums. This allows for higher funding for curriculum FTE's in the areas of health care, technical education, and lab-based science courses which benefited the College.

In March, 2015, the College completed the 15,000 square foot expansion of the Goess Student Center for $3.3 million that houses the College bookstore, career services, and a student study center.

The College will receive proceeds from a county bond referendum for the construction of an $18,000,000 science building and $1,900,000 for the purchase and renovation of a local facility for the Basic Law Enforcement Training Center. The College contracted with JKF Architecture, PC in June 2014 for the design of Science building, which will become the largest building on campus. This building will house state-of-the-art laboratories, classrooms, and a 120 seat lecture hall to support the science programs including biology, biotechnology, microbiology, geology, astronomy, physics, engineering, and robotics. The College will also receive a $2,000,000 Economic Development Agency (EDA) grant from the US Department of Commerce for an additional wing for the science building. The proceeds of the bond referendum and grant will be received and recognized on a reimbursement basis. Construction of the science building is anticipated to start in the fall of 2015, with completion in the 2017 calendar year.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which is effective for the fiscal year ending June 30, 2015. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Statement of Net Position

The Statement of Net Position presents the financial position of the College at June 30, 2015, defined by the balances of assets, liabilities, and net position. Assets are classified as current or noncurrent and cash is further identified as unrestricted or restricted. Current assets include those resources available to meet current obligations and operating requirements while noncurrent assets are to be held to meet future needs. Capital assets are shown net of depreciation. Net position is grouped into three categories: investment in capital assets, restricted net position, and unrestricted net position. Restricted net position is classified as expendable and is made up primarily of contracts, grants, and gifts.

Condensed Statement of Net Position

	2015	2014 (Restated)	Increase (Decrease)
Assets			
Current Assets	$ 10,249,159	$ 10,595,977	$ (346,818)
Capital Assets, Net of Depreciation	74,964,210	71,637,302	3,326,908
Other Noncurrent Assets	223,187	772,743	(549,556)
Total Assets	85,436,556	83,006,022	2,430,534
Deferred Outflows of Resources	2,652,669	2,200,365	452,304
Liabilities			
Current Liabilities	2,892,574	2,979,267	(86,693)
Noncurrent Liabilities	3,542,344	12,095,710	(8,553,366)
Total Liabilities	6,434,918	15,074,977	(8,640,059)
Deferred Inflows of Resources	7,981,970		7,981,970
Net Position			
Net Investment in Captital Assets	74,964,210	71,637,302	3,326,908
Restricted	976,507	1,781,631	(805,124)
Unrestricted	(2,268,380)	(3,287,523)	1,019,143
Total Net Position	$ 73,672,337	$ 70,131,410	$ 3,540,927

Some of the highlights of the College's Statement of Net Position are listed below:

- The increase in capital assets, net of depreciation of $3,326,908 was due to the completion of the $3.3 million Goess Phase II project. Other changes in capital assets include increases in equipment, infrastructure, and construction in progress of $1,215,903, and a reduction of capital assets of $1,223,718 from accumulated depreciation and disposals.
- The decreases of $346,818 in current assets and $549,556 in other noncurrent assets are the result of a $327,670 reduction in restricted current cash and a $690,770 reduction in due from primary government that was collected and used in the construction of the Goess project.
- The increase of $452,304 of deferred outflows of resources, the decrease of noncurrent liabilities of $8,553,366, and the increase of $7,981,970 of deferred inflows of resources resulted from the implementation of GASB 68.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the activity of the College during the year and is subdivided into four major components: operating revenues, operating expenses, nonoperating revenues, and other revenues. Revenues are reported by natural classification. Intradepartmental sales, services, and transfers are eliminated and depreciation of capital assets is recorded.

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

	2015	2014*	Increase (Decrease)
Operating Revenues			
Student Tuition and Fees, Net	$ 7,201,860	$ 7,467,854	$ (265,994)
Sales and Services, Net	2,201,201	1,931,197	270,004
Other Operating Revenues	198,962	364,255	(165,293)
Total Operating Revenues	9,602,023	9,763,306	(161,283)
Less Operating Expenses	68,790,368	70,379,056	(1,588,688)
Operating Loss	(59,188,345)	(60,615,750)	(1,427,405)
Nonoperating and Other Revenues			
State Aid	26,866,978	25,653,036	1,213,942
County Appropriations	5,320,326	5,095,326	225,000
Noncapital Grants	25,693,127	26,842,544	(1,149,417)
Other Nonoperating Revenues, Net	222,388	311,766	(89,378)
Capital Aid, Gifts and Grants	4,626,453	4,646,080	(19,627)
Total Nonoperating and Other Revenues	62,729,272	62,548,752	180,520
Change in Net Position	3,540,927	1,933,002	1,607,925
Net Position - Beginning of Year	70,131,410	77,120,150	(6,988,740)
Less: Restatement		8,921,742	8,921,742
Net Position - End of Year	$ 73,672,337	$ 70,131,410	$ 3,540,927

Fiscal year 2014-2015 total revenues are $72,331,295 and total expenses are $68,790,368.
Fiscal year 2013-2014 total revenues are $72,312,058 and total expenses are $70,379,056.

* 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 and Nonoperating Revenues

- Total operating revenues remained relatively unchanged for fiscal year 2015. Total operating expenses decreased by $1,588,688 (additional details of this amount are provided in the following section of Operating Expenses). These changes resulted in a decrease in the operating loss of $1,427,405.
- State aid increased by $1,213,942 due to the increase in salary funds of $745,462 for a $1,000 per full-time employee salary increase, as well as a $275,330 increase in the Colleges performance funding allocations.
- Noncapital grants decreased by $1,149,417. This was the result of a federal grant ending in September 2014, in which $549,735 of revenue was received in the prior year, and no revenue received in the current year. This federal grant was the completion of the three year Health Information Technology Award which was received from the Department of Health and Human Services in the 2011. In addition, there was a reduction of federal Pell revenue for the current year by $530,950 due to the decline in student enrollment.
- The College restated net position by $8,921,742 as a result of the implementation of GASB 68. Employers that participate in a cost-sharing multiple-employer defined pension plan, such as the Teacher's and State Employees' Retirement System (TSERS), are required to recognize liabilities for their proportionate share of the collective net pension liability.

Operating Expenses

The College presents expenses by natural classification in the Statement of Revenues, Expenses, and Changes in Net Position. Salaries and benefits accounted for 57.36% of operating expenses, followed by scholarships and fellowships at 15.56%, supplies and materials at 13.46%, services at 9.38%, depreciation costs at 2.40%, and utilities at 1.84%.

	2015	2014	Increase (Decrease)
Salaries and Benefits	$ 39,455,734	$ 39,585,586	$ (129,852)
Supplies and Materials	9,255,908	9,794,982	(539,074)
Services	6,459,579	6,570,833	(111,254)
Scholarships and Fellowships	10,701,989	11,410,860	(708,871)
Utilities	1,264,350	1,429,847	(165,497)
Depreciation	1,652,808	1,586,948	65,860
Total Operating Expenses	$ 68,790,368	$ 70,379,056	$ (1,588,688)

Almost all categories of expenses decreased in 2015, with an overall decrease of $1,588,688.

Supplies and materials decreased by $539,074 in the fiscal year. A major factor for the decrease was due to a $551,980 decrease in minor equipment purchased during the year as compared to the prior year. There was also a decrease of $302,344 in other supplies and materials from the prior year. The decrease in supplies and materials was offset by increased expenses in the bookstore of $242,614 and $61,237 for expenses of an additional house construction project.

Scholarships and fellowships decreased by $708,871. This is largely due to the decrease in Pell expense of $610,149 and a decrease in the North Carolina Community College Scholarship grant awards of $178,416.

Capital Assets

	2015	2014	Increase
Land	$ 6,384,445	$ 6,384,445	$ 0
Construction in Progress	1,041,956	917,626	124,330
Buildings	69,729,152	66,394,428	3,334,724
Machinery and Equipment	11,676,224	10,737,469	938,755
General Infrastructure	3,484,062	3,331,244	152,818
Total Capital Assets	92,315,839	87,765,212	4,550,627
Less: Accumulated Depreciation	17,351,629	16,127,910	1,223,719
Total Capital Assets, Net	$ 74,964,210	$ 71,637,302	$ 3,326,908

As described above in the Financial Highlights section, Pitt Community College completed its largest construction project of the year, the Goess Phase II project. This $3.3 million project was an addition to the existing Goess Student Center, with the new section including a bookstore, offices for the career services department, a computer laboratory, and a student study center. The overall increase to Construction in Progress (CIP) of $124,330 includes both additions and deductions to CIP.

The following projects were the increases to CIP:

Science Building	$	928,365
Construction and Technology Building		36,750
Goess Building - Phase II		2,558,138
Clock Tower		88,619
Total Increase in CIP	$	3,611,872

The following projects were the major decreases to CIP, which also explains the increase to the Buildings category when it was moved from CIP into Assets:

Construction and Technology Building	$	36,750
Goess Building - Phase II		3,297,974
Clock Tower		152,818
Total Decreases in CIP	$	3,487,542

Economic Outlook and Effects on Financial Position

With the State appropriations budget driven largely by full-time equivalent (FTE) students, maintaining student enrollment is critical to the College's state appropriations budget. As state and national trends show decreasing enrollments at higher education institutions as the economy improves, Pitt Community College continues to look for ways to maintain student enrollment. As part of this objective, the College has current plans to expand its operations in the adjacent cities of Farmville and Ayden.

On August 10, 2015, the College began operations of the Pitt County Schools Early College High School (PCSECHS) which is located on the campus of Pitt Community College. The mission of this school is to provide a small, academically-energizing environment at both high school and college level for students who are traditionally underrepresented in higher education, at risk for dropping out of high school, and/or first-generation college bound. PCSECHS will serve students in grades 9-13. PCSECHS will provide concurrent enrollment for dual college course credit for high school students making a smooth transition into postsecondary education. Pitt CC anticipates these efforts to have a positive effect on the College's future FTE funding.

In July 2015, the College received approval from the State Board of Community Colleges to proceed with a $2.2 million renovation for the C.W. Everett Building. The 34,603 square foot Everett Building, home of PCC's library, was constructed in 1987 and is in need of up fitting and renovations to meet the needs of a more modern campus. Additionally, PCC's Disability Services division is now located in the Everett Building and renovations are needed to further accommodate this important department. This renovation project will be funded from Pitt County's quarter-cent sales tax revenue, which was passed in Pitt County in November 2007.

In January 2016, the College will begin renovations of a local facility it recently purchased for $1.4 million from the 2013 bond referendum funds. This facility has been leased to the original owner since its acquisition. This 15,000 square foot facility will house the College's Basic Law Enforcement Training (BLET) Center with classrooms, simulations, and physical fitness training for law enforcement students and officers. This renovation project will be funded from the remaining 2013 bond referendum funds.

Recent legislative changes amended General Statute 115D-5 to add language that authorizes enrollment funding for “technical education, health care, developmental education, and STEM-related courses…including the summer term.” For the 2015-2016 fiscal year, Pitt Community College will receive additional funding for 366 FTE for courses taught in the 2014 summer term related to these courses. With these additional FTE, the College's total budgeted FTE for 2015-2016 is 8,280, a 2% increase over the prior year.

There is also current legislation (House Bill 943) that seeks $2.9 billion in general obligation bonds for the purpose of accomplishing certain interrelated and united projects to further economic development in the State consistent with the Connect NC Plan. This bill also states the General Assembly finds that the North Carolina Community College System is in need of new and renovated facilities to train and prepare students and workers for the twenty-first century for the purpose of enhancing the economic attractiveness of the State. The current allocation of this bond would give $300 million to the community colleges, with $12.7 million being allocated to Pitt Community College. These additional funds would significantly impact the ability to fund renovation projects for our campus, which is normally funded from county appropriations.

FINANCIAL STATEMENTS

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

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	6,284,027.80
Restricted Cash and Cash Equivalents		700,519.03
Receivables, Net (Note 3)		2,157,279.65
Inventories		1,107,332.35
Total Current Assets		10,249,158.83
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		214,274.24
Restricted Due from Primary Government		8,912.42
Capital Assets - Nondepreciable (Note 4)		7,426,400.85
Capital Assets - Depreciable, Net (Note 4)		67,537,809.41
Total Noncurrent Assets		75,187,396.92
Total Assets		85,436,555.75
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		2,652,669.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		2,012,076.80
Due to Primary Government		38.99
Unearned Revenue		715,096.15
Long-Term Liabilities - Current Portion (Note 6)		165,362.16
Total Current Liabilities		2,892,574.10
Noncurrent Liabilities:		
Funds Held for Others		4,143.14
Long-Term Liabilities (Note 6)		3,538,200.59
Total Noncurrent Liabilities		3,542,343.73
Total Liabilities		6,434,917.83
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		7,981,970.00
NET POSITION		
Investment in Capital Assets		74,964,210.26
Restricted for:		
Expendable:		
Loans		33,046.10
Capital Projects		241,386.79
Restricted for Specific Programs		627,799.24
Other		74,274.59
Unrestricted		(2,268,380.06)
Total Net Position	$	73,672,336.92

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

Pitt 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)	$ 7,201,859.91
Sales and Services, Net (Note 7)	2,201,200.73
Other Operating Revenues	198,961.76
Total Operating Revenues	9,602,022.40
EXPENSES	
Operating Expenses:	
Salaries and Benefits	39,455,734.21
Supplies and Materials	9,255,907.81
Services	6,459,579.26
Scholarships and Fellowships	10,701,988.86
Utilities	1,264,349.46
Depreciation	1,652,808.26
Total Operating Expenses	68,790,367.86
Operating Loss	(59,188,345.46)
NONOPERATING REVENUES	
State Aid	26,866,978.34
County Appropriations	5,320,326.00
Noncapital Grants - Student Financial Aid	22,917,698.62
Noncapital Grants	2,775,427.99
Noncapital Gifts	166,760.63
Investment Income	31,631.21
Other Nonoperating Revenues	23,996.48
Total Nonoperating Revenues	58,102,819.27
Loss Before Other Revenues	(1,085,526.19)
State Capital Aid	2,658,740.67
County Capital Aid	1,952,802.35
Capital Gifts	14,910.06
Increase in Net Position	3,540,926.89
NET POSITION	
Net Position, July 1, 2014 as Restated (Note 13)	70,131,410.03
Net Position, June 30, 2015	$ 73,672,336.92

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

Pitt Community College
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2015 — *Page 1 of 2*

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 9,251,182.21
Payments to Employees and Fringe Benefits	(40,611,050.30)
Payments to Vendors and Suppliers	(17,305,462.14)
Payments for Scholarships and Fellowships	(10,676,028.71)
Other Receipts	23,996.48
Net Cash Used by Operating Activities	(59,317,362.46)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	26,866,978.34
County Appropriations	5,320,326.00
Noncapital Grants - Student Financial Aid	23,201,435.29
Noncapital Grants	2,814,181.29
Noncapital Gifts	166,760.63
William D. Ford Direct Lending Receipts	25,435,087.00
William D. Ford Direct Lending Disbursements	(25,435,087.00)
Net Cash Provided by Noncapital Financing Activities	58,369,681.55
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	3,349,509.75
County Capital Aid	1,930,947.80
Capital Gifts	14,910.06
Acquisition and Construction of Capital Assets	(4,892,557.21)
Net Cash Provided by Capital and Related Financing Activities	402,810.40
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	31,631.21
Cash Provided by Investing Activities	31,631.21
Net Decrease in Cash and Cash Equivalents	(513,239.30)
Cash and Cash Equivalents, July 1, 2014	7,712,060.37
Cash and Cash Equivalents, June 30, 2015	$ 7,198,821.07

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(59,188,345.46)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		1,652,808.26
Provision for Uncollectible Loans		4,485.00
Pension Expense		1,013,691.00
Nonoperating Other Income		23,996.48
Changes in Assets, Liabilities, and Deferred Outflows of Resources:		
Receivables, Net		(343,816.10)
Inventories		(234,229.89)
Prepaid Items		4,044.90
Accounts Payable and Accrued Liabilities		(87,623.19)
Due to Primary Government		3.33
Unearned Revenue		18,936.06
Deferred Outflows - Contributions After the Measurement Date		(2,396,118.00)
Compensated Absences		214,805.15
Net Cash Used by Operating Activities	$	(59,317,362.46)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	6,284,027.80
Restricted Cash and Cash Equivalents		700,519.03
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		214,274.24
Total Cash and Cash Equivalents - June 30, 2015	$	7,198,821.07

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	$	87,159.49

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

Pitt Community College Foundation, Inc.
Statement of Financial Position
June 30, 2015 — *Exhibit B-1*

ASSETS		
Current Assets		
Cash and Cash Equivalents		
Cash With State Treasurer	$	1,947,188.19
Cash in Private Institutions		1,000.00
Prepaid Expenses		976.33
Pledges Receivable		140,000.00
Total Current Assets		2,089,164.52
Investments		
Cash and Cash Equivalents		36,676.68
Long-Term Investments		1,005,827.46
Total Investments		1,042,504.14
Property and Equipment		
Equipment		9,957.40
Software		4,360.00
Less: Accumulated Depreciation		(14,317.40)
Net Property and Equipment		0.00
Other Assets		
Net Pledges Receivable, Noncurrent		393,573.74
Grant Income Receivable		39,122.26
Total Other Assets		432,696.00
Total Assets	$	3,564,364.66
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$	10,300.50
Accrued Wages and Benefits		12,125.17
Total Liabilities		22,425.67
Net Assets		
Unrestricted Net Assets		774,565.40
Temporarily Restricted Net Assets		1,572,168.18
Permanently Restricted Net Assets		1,195,205.41
Total Net Assets		3,541,938.99
Total Liabilities and Net Assets	$	3,564,364.66

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

Pitt Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2015 — *Exhibit B-2*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Support:				
Contributions	$ 244,713.04	$ 952,928.26	$ 30,000.00	$ 1,227,641.30
Contributions - In Kind		125,402.70		125,402.70
Discount on Pledges Receivable		(6,426.26)		(6,426.26)
Revenue:				
Income Earned on Investments:	2,642.04	20,435.15	365.73	23,442.92
Fund Raising Income	284,284.78			284,284.78
Net Assets Released from Restrictions	654,486.90	(654,486.90)		
Total Support and Revenue	1,186,126.76	437,852.95	30,365.73	1,654,345.44
EXPENSES				
Contributions to Pitt Community College for:				
Scholarships and Minigrants	286,348.69			286,348.69
General Support for PCC Programs	145,705.61			145,705.61
Program Services	213,434.69			213,434.69
General Expenses	79,093.14			79,093.14
Fundraising Expenses	125,876.87			125,876.87
TOTAL EXPENSES	850,459.00			850,459.00
Unrealized Loss on Investment			(15,950.33)	(15,950.33)
Reclassification	(225,396.03)	295,520.91	(70,124.88)	
Change in Net Assets	110,271.73	733,373.86	(55,709.48)	787,936.11
Net Assets at Beginning of the Year	664,293.67	838,794.32	1,250,914.89	2,754,002.88
Net Assets at End of Year	$ 774,565.40	$ 1,572,168.18	$ 1,195,205.41	$ 3,541,938.99

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. Pitt 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 for which the College's Board of Trustees is financially accountable. The discretely presented component unit's financial data is reported in separate financial statements because of its use of a different GAAP reporting model and to emphasize its legal separateness.

Discretely Presented Component Unit - Pitt Community College Foundation, Inc. (Foundation) is a legally separate 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 Foundation board consists of 33 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 $345,876.54 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Ricky D. Brown, Chief Financial Officer, Pitt Community College, or the Business Office of the Pitt Community College Foundation, Inc.

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

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

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

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

D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

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

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

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

The College capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

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

Asset Class	Estimated Useful Life
Buildings	25-100 years
Machinery & Equipment	5-30 years
General Infrastructure	35-75 years

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

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

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2014 *Comprehensive Annual Financial Report.* This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 9 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

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

K. **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.

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

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

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

N. Internal Sales Activities - 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 and copy center. 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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling $8,230.00, and deposits in private financial institutions with a carrying value of $369,000.00 and a bank balance of $738,152.66.

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

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

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

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

At June 30, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes $6,821,591.07 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2015. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 1,662,267.70	$ 213,405.00	$ 1,448,862.70
Student Sponsors	38,846.90		38,846.90
Accounts	313,060.35		313,060.35
Intergovernmental	356,509.70		356,509.70
Total Current Receivables	$ 2,370,684.65	$ 213,405.00	$ 2,157,279.65

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	$ 6,384,444.75	$ 0.00	$ 0.00	$ 6,384,444.75
Construction in Progress	917,626.38	3,611,871.57	3,487,541.85	1,041,956.10
Total Capital Assets, Nondepreciable	7,302,071.13	3,611,871.57	3,487,541.85	7,426,400.85
Capital Assets, Depreciable:				
Buildings	66,394,427.85	3,334,723.79		69,729,151.64
Machinery and Equipment	10,737,468.79	1,367,845.13	429,089.42	11,676,224.50
General Infrastructure	3,331,244.18	152,818.06		3,484,062.24
Total Capital Assets, Depreciable	80,463,140.82	4,855,386.98	429,089.42	84,889,438.38
Less Accumulated Depreciation for:				
Buildings	13,177,470.30	1,178,326.47		14,355,796.77
Machinery and Equipment	2,417,281.97	408,476.03	429,089.42	2,396,668.58
General Infrastructure	533,157.86	66,005.76		599,163.62
Total Accumulated Depreciation	16,127,910.13	1,652,808.26	429,089.42	17,351,628.97
Total Capital Assets, Depreciable, Net	64,335,230.69	3,202,578.72		67,537,809.41
Capital Assets, Net	$ 71,637,301.82	$ 6,814,450.29	$ 3,487,541.85	$ 74,964,210.26

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	$ 563,184.43
Accrued Payroll	1,216,298.38
Intergovernmental Payables	232,593.99
Total Accounts Payable and Accrued Liabilities	$ 2,012,076.80

NOTE 6 - 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	$ 11,122,107.00	$ 0.00	$ 8,912,093.00	$ 2,210,014.00	$ 0.00
Compensated Absences	1,278,743.60	1,434,139.70	1,219,334.55	1,493,548.75	165,362.16
Total Long-Term Liabilities	$ 12,400,850.60	$ 1,434,139.70	$ 10,131,427.55	$ 3,703,562.75	$ 165,362.16

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	$ 16,321,605.67	$ 0.00	$ 9,064,162.42	$ 55,583.34	$ 7,201,859.91
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Copy Center	$ 275,436.32	$ 199,028.17	$ 0.00	$ 0.00	$ 76,408.15
Bookstore	6,417,081.12	49,958.80	4,578,279.80	9,733.98	1,779,108.54
Athletics	19,305.92				19,305.92
Other	174,357.53				174,357.53
Sales and Services of Education and Related Activities	152,020.59				152,020.59
Total Sales and Services	$ 7,038,201.48	$ 248,986.97	$ 4,578,279.80	$ 9,733.98	$ 2,201,200.73

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	$ 23,990,272.67	$ 2,824,483.25	$ 1,728,029.50	$ 0.00	$ 0.00	$ 0.00	$ 28,542,785.42
Academic Support	5,380,535.97	331,441.84	555,370.98				6,267,348.79
Student Services	3,171,512.33	249,629.67	546,635.40				3,967,777.40
Institutional Support	4,260,186.81	244,004.22	1,257,498.74		4,559.75		5,766,249.52
Operations and Maintenance of Plant	1,172,251.87	318,708.61	2,006,391.97		1,259,789.71		4,757,142.16
Student Financial Aid	150,794.73		53,573.36	10,701,988.86			10,906,356.95
Auxiliary Enterprises	316,488.83	5,287,640.22	312,079.31				5,916,208.36
Depreciation						1,652,808.26	1,652,808.26
Pension Expense	1,013,691.00						1,013,691.00
Total Operating Expenses	$ 39,455,734.21	$ 9,255,907.81	$ 6,459,579.26	$ 10,701,988.86	$ 1,264,349.46	$ 1,652,808.26	$ 68,790,367.86

NOTE 9 - 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 $2,396,118.37, and employee contributions were $1,571,225.17 for the year ended June 30, 2015.

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2014 *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina

Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan's fiduciary net position was determined on the same basis used by the pension plan.

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2014 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2015, the College reported a liability of $2,210,014.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the College's proportion was 0.18850%, which was an increase of 2.89% 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%)
15,865,010.00	2,210,014.00	(9,319,642.00)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2015, the College recognized pension expense of $1,013,691.00. 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	$ 515,142.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		7,466,828.00
Change in Proportion and Differences Between Agency'sCcontributions and Proportionate Share of Contributions	256,551.00	
Contributions Subsequent to the Measurement Date	2,396,118.00	
Total	$ 2,652,669.00	$ 7,981,970.00

$2,396,118.00 of the amount reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	Amount
2016	$ (1,934,938.00)
2017	(1,934,938.00)
2018	(1,934,938.00)
2019	(1,920,605.00)
Total	$ (7,725,419.00)

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 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 $1,437,671.02, $1,367,336.95, and $1,319,680.88, 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 $107,367.05, $111,412.64, and $109,558.41, 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. Employee dishonesty and computer fraud losses for employees paid from county and institutional funds are covered by contracts with private insurance companies.

4. **Statewide Workers' Compensation Program**

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

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

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

   The College purchased malpractice insurance for students in medical related fields. Coverage is provided at $2,000,000 per occurrence with a limit of $5,000,000.

NOTE 12 - 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 $15,494,318.15 and on other purchases were $76,793.25 at June 30, 2015.

NOTE 13 - 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	$	79,053,152.03
Restatement:		
Record the College's Net Pension Liability and Pension Related Deferred Outflows of Resources Per GASB 68 Requirements		(8,921,742.00)
July 1, 2014 Net Position as Restated	$	70,131,410.03

REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit C-1

	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	0.18850%	0.18320%
Proportionate Share of TSERS Collective Net Pension Liability	$ 2,210,014.00	$ 11,122,107.00
Covered-Employee Payroll	$ 25,321,054.62	$ 24,899,639.11
Net Pension Liability as a Percentage of Covered-Employee Payroll	8.73%	44.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

Pitt Community College
Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years *Exhibit C-2*

	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 2,396,118.37	$ 2,200,399.65	$ 2,074,139.94	$ 1,791,053.75	$ 1,152,677.92
Contributions in Relation to the Contractually Determined Contribution	2,396,118.37	2,200,399.65	2,074,139.94	1,791,053.75	1,152,677.92
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 26,187,086.06	$ 25,321,054.62	$ 24,899,639.11	$ 24,073,303.08	$ 23,380,890.97
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	$ 738,369.57	$ 676,799.28	$ 586,803.78	$ 481,145.14	$ 390,787.19
Contributions in Relation to the Contractually Determined Contribution	738,369.57	676,799.28	586,803.78	481,145.14	390,787.19
Contribution Eeficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 20,682,621.07	$ 20,142,835.70	$ 19,239,468.17	$ 18,088,163.15	$ 16,700,307.25
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

Pitt 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

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
http://www.ncauditor.net

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

Board of Trustees
Pitt Community College
Winterville, 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 Pitt 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 February 15, 2016. Our report includes a reference to other auditors who audited the financial statements of Pitt Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Pitt 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 Pitt 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 15, 2016

ORDERING INFORMATION

COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0600

Telephone: 919-807-7500
Facsimile: 919-807-7647
Internet: http://www.ncauditor.net

To report alleged incidents of fraud, waste or abuse in state government contact the Office of the State Auditor Fraud Hotline: **1-800-730-8477** or download our free app.

https://play.google.com/store/apps/details?id=net.ncauditor.ncauditor

https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745

For additional information contact:
Bill Holmes
Director of External Affairs
919-807-7513

The Taxpayers' Watchdog

This audit required 370 audit hours at an approximate cost of $36,630.00.