

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



## PAMLICO COMMUNITY COLLEGE

GRANTSBORO, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2017

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



**NCOSA**  
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

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## AUDITOR'S TRANSMITTAL

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The Honorable Roy Cooper, Governor  
The General Assembly of North Carolina  
Board of Trustees, Pamlico Community College

We have completed a financial statement audit of Pamlico Community College for the year ended June 30, 2017, 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 options listed in the back of this report.

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

Beth A. Wood, CPA  
State Auditor



Beth A. Wood, CPA  
State Auditor

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Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. 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**  
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## **INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Pamlico Community College  
Grantsboro, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of Pamlico Community College (College), a component unit of the State of North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Pamlico Community College Foundation, Inc., which represent 9.7 percent, 10.4 percent, and 1.7 percent, respectively, of the assets, net position, and revenues of the College. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pamlico Community College Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Pamlico 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 opinion.

### Opinion

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 financial position of Pamlico Community College, as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 27, 2018 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 27, 2018



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The annual financial statements of Pamlico Community College (College) present the results of the College's financial activities for the fiscal year ended June 30, 2017. Management, in addition to this analysis, is responsible for the preparation of the accompanying basic financial statements, and Notes to the Financial Statements. Management's Discussion and Analysis (MD&A) should be read in conjunction with the financial statements and provides a general overview of the College's financial activity during the fiscal year. The MD&A is intended to aid the reader in interpreting the College's relative financial position as of the year ended June 30, 2017, as well as gauging performance from one period to the next. Condensed key financial and nonfinancial information will be highlighted for the reader followed by a discussion of the College's economic outlook.

The financial statements include in addition to this MD&A, a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, a Statement of Cash Flows, and accompanying Notes to the Financial Statements. The Statement of Net Position presents all of the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets plus deferred outflows less liabilities and deferred inflows equals net position. Over time, changes in net position measure whether the College's financial position is improving or not. The Statement of Revenues, Expenses, and Changes in Net Position present information showing how the net position changed during the fiscal year. The Statement of Cash Flows provides detail on the cash activity of the College during the year.

The Notes to the Financial Statements provide additional information that is needed for a full understanding of the data provided in the statements. Notes to the Financial Statements are found at the end of this report.

### **About Pamlico Community College**

Pamlico Community College is a small two-year institution located in rural Eastern North Carolina that in 2016-2017 began its 55th year of serving the educational, cultural, and personal interests of the people in this area.

The College's accreditation was reaffirmed in 2013 by the Southern Association of Colleges and Schools. This confirms that the College continues to provide education and training that meets the high standards of a secondary educational institution.

### **Condensed Statement of Net Position**

The following table compares the Statement of Net Position for the last two years:



Condensed Statement of Net Position  
for the Years Ended June 30, 2017 and 2016

	2017	2016	Increase (Decrease)
Assets			
Current Assets	\$ 917,548.93	\$ 977,171.88	\$ (59,622.95)
Other Assets	662,630.65	657,289.22	5,341.43
Capital Assets	6,295,065.18	6,497,791.18	(202,726.00)
Total Assets	7,875,244.76	8,132,252.28	(257,007.52)
Deferred Outflows for Pensions	1,401,998.84	329,169.84	1,072,829.00
Liabilities			
Current Liabilities	188,836.49	168,912.96	19,923.53
Long-Term Liabilities	2,101,177.42	954,281.43	1,146,895.99
Total Liabilities	2,290,013.91	1,123,194.39	1,166,819.52
Deferred Inflows for Pensions	91,087.00	163,367.00	(72,280.00)
Net Position			
Invested in Capital Assets	6,295,065.18	6,497,791.18	(202,726.00)
Restricted	850,850.01	806,472.61	44,377.40
Unrestricted	(249,772.50)	(129,403.06)	(120,369.44)
Total Net Position	\$ 6,896,142.69	\$ 7,174,860.73	\$ (278,718.04)

The College has adequate financial resources to meet the present needs of its student population. The Statement of Net Position is strong due to its high liquidity and virtually nonexistent debt.

The \$59,622.95 decrease in current assets is attributable to a decline in county fund balance, funds due from state component units, inventories, and prepaid items offset by an increase in short-term investments.

County cash decreased \$59,964.39 due to unexpected expenses incurred by the College for heating and air conditioning unit repairs and the rental of a replacement generator for the majority of the year.

The decrease associated with funds due from state component units stem from the difference between amounts of residual funds owed to the College at year end by the Golden Leaf Foundation for scholarships (\$2,775.80) as opposed to the large amount of grant funds owed to the College by the Golden Leaf Foundation during the prior year (\$45,852.67).

Short-term investments (restricted and unrestricted) increased by \$75,650.00 as the Pamlico Community College Foundation, Inc. opted to take a portion of the gains received from long-term reserves and invest them in more short-term assets (certificates of deposits and money markets) for better liquidity to support upcoming student scholarship awards.

Capital assets and net position invested in capital assets decreased by \$202,726.00 during the year and is attributable to depreciation, offset by purchases of new equipment.

The College has adopted GASB Statement 68, *Accounting & Financial Reporting for Pensions*, and as a result the deferred outflows for pensions totaling \$1,401,998.84 represents the College's portion of the State's pension plan assets. This increased from the prior year due to differences in the expected and actual investment earnings of the Teachers' and State Employees' Retirement System (TSERS) pension plan and changes in assumptions about demographics and economic factors.

Current liabilities, increased by \$19,923.53 which is attributable to an increase in the current portion of accumulated vacation and bonus leave expected to be paid to employees in the coming year, offset by a decline in accrued payroll due to a reduction in classes held during the Summer semester. The \$1,146,895.99 increase in long-term liabilities represents the addition of the College's share of the North Carolina State pension liability.

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

The following table depicts the College's activities for the last two years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position  
for the Years Ended June 30, 2017 and 2016

	2017	2016	Increase (Decrease)
Operating Revenues			
Student Tuition and Fees, Net	\$ 428,481.38	\$ 468,722.48	\$ (40,241.10)
Sales and Services, Net	92,718.06	86,547.89	6,170.17
Other Operating Revenues	11,481.53	14,480.82	(2,999.29)
Total Operating Revenues	532,680.97	569,751.19	(37,070.22)
Less Operating Expenses	7,177,640.80	7,105,332.13	72,308.67
Operating Loss	(6,644,959.83)	(6,535,580.94)	109,378.89
Nonoperating Revenues, Expenses, and Capital Revenues			
State Aid	4,557,336.11	4,190,843.71	366,492.40
County Appropriations	566,028.00	561,215.00	4,813.00
Noncapital Grants	1,029,931.19	1,177,260.14	(147,328.95)
Noncapital Gifts	70,184.69	106,730.25	(36,545.56)
Investment Income (Loss)	51,148.52	(12,034.37)	63,182.89
Capital Aid, Appropriations, and Grants	80,973.26	520,235.60	(439,262.34)
Additions to Endowments	10,640.02	16,252.00	(5,611.98)
Total Nonoperating Revenues, Expenses, and Capital Revenues	6,366,241.79	6,560,502.33	(194,260.54)
Change in Net Position	(278,718.04)	24,921.39	(303,639.43)
Net Position, Beginning of Year	7,174,860.73	7,149,939.34	24,921.39
Net Position, End of Year	\$ 6,896,142.69	\$ 7,174,860.73	\$ (278,718.04)

Fiscal year 2016-2017 total revenues are \$6,898,922.76 and total expenses are \$7,177,640.80.

Fiscal year 2015-2016 total revenues are \$7,142,287.89 and total expenses are \$7,117,366.50.

The decrease of \$40,241.10 in student tuition and fees, net is related to the decrease in curriculum student enrollment for the Spring and Summer terms and the decrease in continuing education enrollment for the Fall and Summer terms. The slight increase of \$6,170.17 in sales and services, net is related to the increase in the prices of books.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The increase of \$366,492.40 in state aid can be attributed to an averaged increased enrollment over the past two years. The increase in county appropriations of \$4,813.00 is mainly related to the funding of the costs associated with maintaining buildings.

The decrease of \$147,328.95 in noncapital grants is the result of the expiration of the Golden Leaf Foundation Grant received from 2015 – 2016. This grant was used to start a new Science, Technology, Engineering, and Mathematics (STEM) based program.

The \$36,545.56 decrease in noncapital gifts is the result of decreased donations for scholarships from various individuals and organizations as well as the exhausting of funds donated during FY2016 in support of book purchases for high school students.

Investment income increased by \$63,182.89 as a result of increases in capital gains, offset by decreases from dividends, and interest income on investments maintained by Pamlico Community College Foundation, Inc.

Capital aid, appropriations, and grants decreased by \$439,262.34. This is mainly attributed to the fact that the College completed the roofing project for the Johnson Building in FY2016 reducing the amount of aid received from the County.

The following table represents the operating expenses of Pamlico Community College by activity:

Operating Expenses for the Years Ended June 30, 2017 and 2016			
	2017	2016	Increase (Decrease)
Operating Expenses			
Salaries and Benefits	\$ 5,495,603.71	\$ 4,863,182.25	\$ 632,421.46
Supplies and Materials	359,408.91	905,475.69	(546,066.78)
Services	512,072.01	497,987.07	14,084.94
Scholarships and Fellowships	478,058.51	495,228.00	(17,169.49)
Utilities	105,120.52	109,463.85	(4,343.33)
Depreciation	227,377.14	233,995.27	(6,618.13)
Total Operating Expenses	<u>\$ 7,177,640.80</u>	<u>\$ 7,105,332.13</u>	<u>\$ 72,308.67</u>

Total operating expenses increased by \$72,308.67. Salaries and benefits increased by \$632,421.46, which is attributed to the hiring/retention of personnel in various positions at salaries more comparable to industry standards and a state approved raise for all employees. The decrease of \$546,066.78 in supplies and materials results from a management decision to reduce spending during the year. This decision was made because management knew there was going to be a decrease in funding in the coming year as a result of a decline in full time equivalency (FTE) funding. By reducing spending during the current year, the College could carry forward the unspent funding into the upcoming year to allow for equipment purchases. The increase in services costs of \$14,084.94 is related to the College's efforts to attract more students through increased advertisement. The \$4,343.33 decrease in utilities costs is related to a decrease in costs for electricity. The decrease of \$6,618.13 in depreciation is related to the reduction in purchases of replacement equipment over the past few years.

## Capital Assets

The following chart depicts the College's capital assets for the last two years:

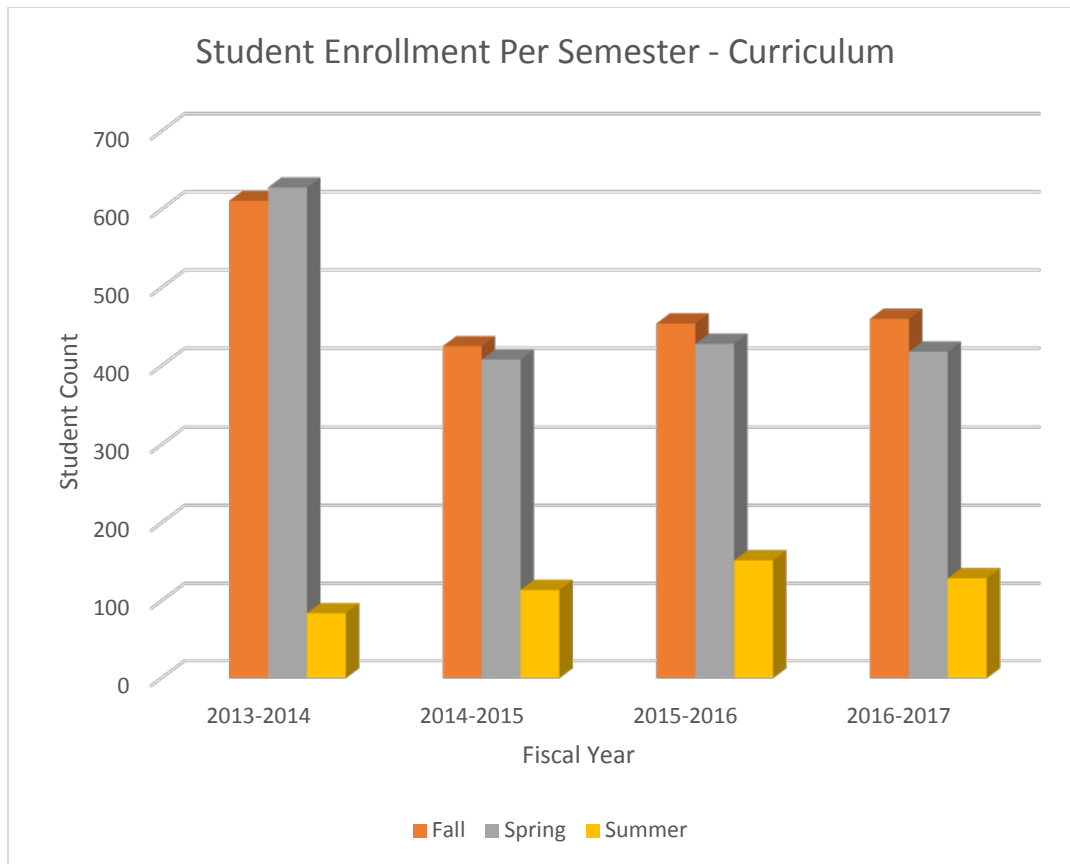
Capital Assets for the Years Ended June 30, 2017 and 2016			
	2017	2016	Increase Decrease
Capital Assets, Nondepreciable			
Land	\$ 381,050.00	\$ 381,050.00	\$ 0.00
Art	5,000.00	5,000.00	
Total Capital Assets, Nondepreciable	386,050.00	386,050.00	
Capital Assets, Depreciable			
Buildings	8,555,717.57	8,555,717.57	
Machinery & Equipment	782,337.39	876,696.91	(94,359.52)
General Infrastructure	132,339.28	132,339.28	
Total Capital Assets, Depreciable	9,470,394.24	9,564,753.76	(94,359.52)
Less: Accumulated Depreciation	3,561,379.06	3,453,012.58	108,366.48
Capital Assets, Depreciable, Net	5,909,015.18	6,111,741.18	(202,726.00)
Capital Assets, Net	\$ 6,295,065.18	\$ 6,497,791.18	\$ (202,726.00)

The \$94,359.52 decrease in machinery and equipment is due to the disposal of \$119,010.66 of equipment offset by the acquisition of \$24,651.14 machinery and equipment necessary to properly operate the College (i.e. smartboard and server). Accumulated depreciation increased by \$108,366.48 consisting of the current year depreciation of \$227,377.14 less the accumulated depreciation from the disposed assets totaling \$119,010.66.

## Comparative Enrollment Data

Student enrollment increased slightly (1%) during Fall 2016 over Fall 2015 and decreased slightly (2%) during Spring 2017 over Spring 2016. Enrollment experienced a 15% decline in Summer 2017 compared to Summer 2016 due to the termination of the Dental Program in the Pamlico Correctional Facility.

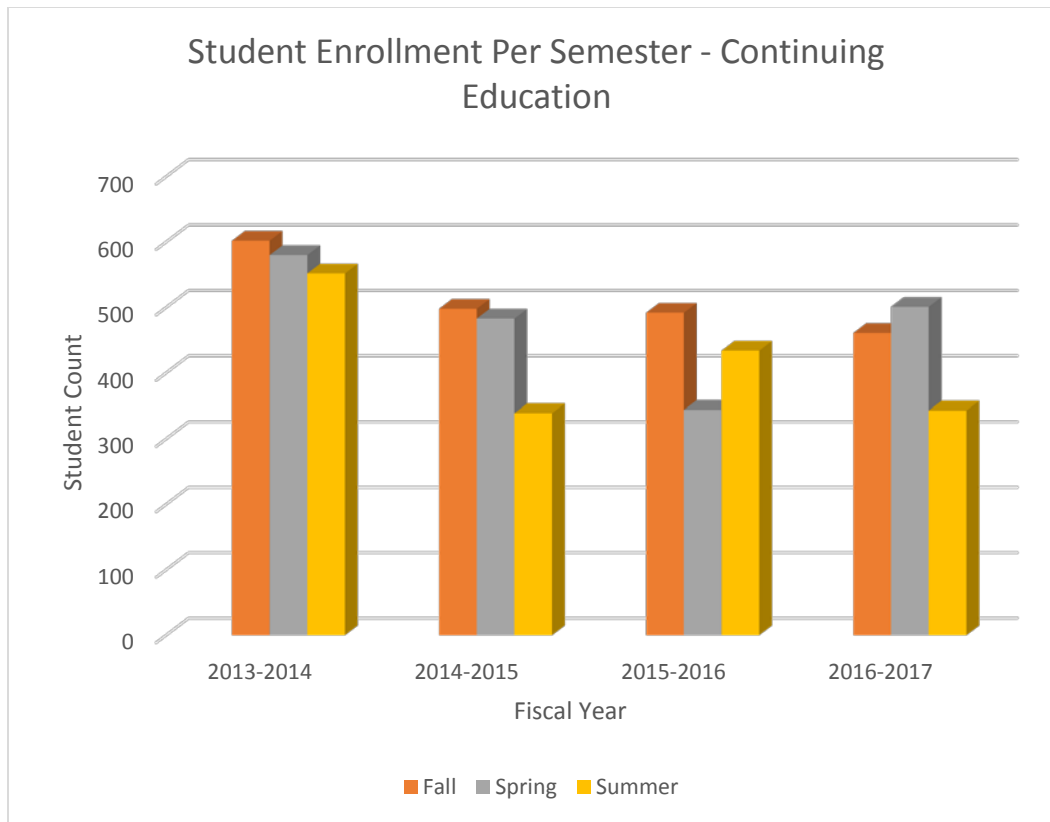
Student enrollment data for curriculum programs: Associate in Arts, Associate in Applied Science, Diploma, and Certificate are as follows (unduplicated headcount):



Student Count - Curriculum				
	2013-2014	2014-2015	2015-2016	2016-2017
Fall	611	425	454	460
Spring	628	408	428	418
Summer	84	114	152	129

As displayed in the graph below, student enrollment decreased in the most recent year from the prior year for the Fall and Summer terms due to a reduction of Human Resource Development courses being held at the Pamlico Correctional Facility, but increased 46% in the Spring as a result of the addition of multiple Emergency Management and Firefighting classes being conducted at the main campus.

Student enrollment data for Continuing Education programs which include: Occupational Extension, Basic Skills, Cultural Enrichment, and the Small Business Center are as follows (unduplicated headcount):



Student Count - Continuing Education				
	2013-2014	2014-2015	2015-2016	2016-2017
Fall	602	498	492	461
Spring	580	483	344	501
Summer	552	339	434	343

During the year, students were able to take advantage of various scholarships and grant funding. The most significant sources were: Federal Pell Grants which was \$705,106.84, North Carolina State grants of \$20,860.00, and the Golden Leaf Scholarship of \$14,487.00. Other sources of funds available for students include but not limited to: Divorced Fees, Workforce Investment Act Adult and Dislocated Worker, Childcare, and Federal Supplemental Educational Opportunity Grant.

The Pamlico Community College Foundation, Inc. continued its generous support with \$19,181.90 in scholarships to students, thereby, supporting Pamlico Community College programs.

### Economic Outlook

The county continues to experience economic decline in the farming and commercial fishing industry, which have been the primary industries for the community. The unemployment rate in Pamlico County was 4.8% in November 2016, a slight decrease from the prior year. As of January 2017, Pamlico County's population was estimated to be 13,174, which was a slight

increase from the prior year. In 2016, the top employers were from the education & health services sectors as well as the public administration sector.

The overall budget provided for the College for fiscal year ending June 30, 2017 increased from the prior year. Given the small declines in enrollment this increase helped to fund program growth particularly in vocational training. The State continues to require community colleges to reduce the amount appropriated by 4.2% as a Management Flexibility Reduction. Expected declines in enrollment and the State's fiscal situation continue to provide uncertainty for the amount of state funding to be received by the College in future years. The College continues to focus on maintaining existing grants and is seeking new grants for additional funding. County funding for 2017 maintenance and custodial operations increased from the prior year, and is adequate for current needs.

Management is optimistic about the future of Pamlico Community College. While there are challenges expected in managing the growth of the College, management is excited about the opportunity to provide quality education and training to the citizens of Pamlico County.



# **FINANCIAL STATEMENTS**



**Pamlico Community College**  
**Statement of Net Position**  
**June 30, 2017**

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

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 435,236.45
Restricted Cash and Cash Equivalents	132,960.39
Short-Term Investments	21,927.54
Restricted Short-Term Investments	53,722.46
Receivables, Net (Note 5)	121,704.72
Due from State of North Carolina Component Units	2,775.80
Inventories	118,915.28
Prepaid Items	29,373.04
Notes Receivable, Net (Note 5)	933.25
Total Current Assets	<u>917,548.93</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	234,177.10
Restricted Due from Primary Government	59,200.00
Restricted Investments	369,253.55
Capital Assets - Nondepreciable (Note 6)	386,050.00
Capital Assets - Depreciable, Net (Note 6)	5,909,015.18
Total Noncurrent Assets	<u>6,957,695.83</u>
Total Assets	<u>7,875,244.76</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to Pensions	<u>1,401,998.84</u>
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**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	113,126.64
Unearned Revenue	25,857.87
Funds Held for Others	173.00
Long-Term Liabilities - Current Portion (Note 8)	49,678.98
Total Current Liabilities	<u>188,836.49</u>

Noncurrent Liabilities:

Long-Term Liabilities (Note 8)	<u>2,101,177.42</u>
Total Liabilities	<u>2,290,013.91</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pensions	<u>91,087.00</u>
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***Pamlico Community College  
Statement of Net Position  
June 30, 2017***

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

**NET POSITION**

Investment in Capital Assets	6,295,065.18
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	542,132.97
Expendable:	
Scholarships and Fellowships	87,992.26
Loans	48,922.02
Capital Projects	128,018.97
Other	43,783.79
Unrestricted	<u>(249,772.50)</u>
Total Net Position	<u><u>\$ 6,896,142.69</u></u>

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

**Pamlico Community College**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit A-2**

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net (Note 10)	\$ 428,481.38
Sales and Services, Net (Note 10)	92,718.06
Other Operating Revenues	<u>11,481.53</u>
Total Operating Revenues	<u>532,680.97</u>

**EXPENSES**

Operating Expenses:

Salaries and Benefits	5,495,603.71
Supplies and Materials	359,408.91
Services	512,072.01
Scholarships and Fellowships	478,058.51
Utilities	105,120.52
Depreciation	<u>227,377.14</u>
Total Operating Expenses	<u>7,177,640.80</u>
Operating Loss	<u>(6,644,959.83)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Aid	4,557,336.11
County Appropriations	566,028.00
Noncapital Grants - Student Financial Aid	881,797.59
Noncapital Grants	148,133.60
Noncapital Gifts	70,184.69
Investment Income (Net of Investment Expense of \$4,525.11)	<u>51,148.52</u>
Net Nonoperating Revenues	<u>6,274,628.51</u>
Loss Before Other Revenues	(370,331.32)
State Capital Aid	69,073.26
County Capital Aid	11,900.00
Additions to Endowments	<u>10,640.02</u>
Decrease in Net Position	(278,718.04)

**NET POSITION**

Net Position, July 1, 2016	<u>7,174,860.73</u>
Net Position, June 30, 2017	<u>\$ 6,896,142.69</u>

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

**Pamlico Community College**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2017**

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 509,130.31
Payments to Employees and Fringe Benefits	(5,462,762.74)
Payments to Vendors and Suppliers	(955,739.33)
Payments for Scholarships and Fellowships	(478,058.51)
Loans Issued to Students	(933.25)
Other Payments	(40.55)
	<hr/>
Net Cash Used by Operating Activities	(6,388,404.07)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	4,557,336.11
County Appropriations	566,028.00
Noncapital Grants - Student Financial Aid	881,797.59
Noncapital Grants	157,100.80
Noncapital Gifts	70,184.69
Additions to Endowments	10,640.02
	<hr/>
Cash Provided by Noncapital Financing Activities	6,243,087.21

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

State Capital Aid Received	69,073.26
County Capital Aid	11,900.00
Capital Grants	43,076.87
Acquisition of Capital Assets	(24,651.14)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	99,398.99

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	81,116.30
Investment Income	5,733.19
Purchase of Investments and Related Fees	(81,116.30)
	<hr/>
Net Cash Provided by Investing Activities	5,733.19

Net Decrease in Cash and Cash Equivalents	(40,184.68)
Cash and Cash Equivalents, July 1, 2016	842,558.62
	<hr/>
Cash and Cash Equivalents, June 30, 2017	\$ 802,373.94

**Pamlico Community College**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2017**

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

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

Operating Loss	\$ (6,644,959.83)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	227,377.14
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(21,919.60)
Inventories	9,019.30
Prepaid Items	21,301.65
Notes Receivable, Net	(933.25)
Deferred Outflows for Pensions	(1,072,829.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(5,101.44)
Unearned Revenue	(1,631.06)
Net Pension Liability	1,183,162.00
Funds Held for Others	(40.55)
Deferred Inflows for Pensions	(72,280.00)
Compensated Absences	(9,569.43)
Net Cash Used by Operating Activities	<u><u>\$ (6,388,404.07)</u></u>

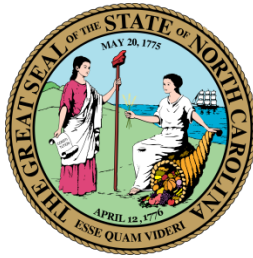
**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 435,236.45
Restricted Cash and Cash Equivalents	132,960.39
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>234,177.10</u>
Total Cash and Cash Equivalents - June 30, 2017	<u><u>\$ 802,373.94</u></u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Change in Fair Value of Investments	\$ 44,474.14
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The accompanying notes to the financial statements are an integral part of this statement.



# **NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Pamlico Community College (College) is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is blended in the College's financial statements. See below for further discussion of the College's component unit. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

**Blended Component Unit** - Although legally separate, Pamlico Community College Foundation, Inc. (Foundation) is reported as if it was part of the College. The Foundation is governed by a 12-member board consisting of 2 ex officio directors and 10 elected directors. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the elected directors of the Foundation are appointed by the members of the Pamlico Community College Board of Trustees and the Foundation's sole purpose is to benefit Pamlico Community College, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the College Controller's Office, Post Office Box 185, Grantsboro, North Carolina 28529 or by calling (252) 249-1851.

Condensed combining information regarding blended component units is provided in Note 15.

- 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 aid, 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. Investments** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. 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 change in the value of investments is recognized as a component of investment income. Certificates of deposit are reported at cost.
- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies, and merchandise for resale, are valued at the lower of cost or market using the last invoice cost method.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

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



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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	25-50 years
Machinery and Equipment	5-25 years
General Infrastructure	15-75 years

The Ansel Adams art collection is capitalized at fair value at the date of donation. This collection is considered inexhaustible and is therefore not depreciated.

- I. **Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources whose use is limited by external parties or statute, and endowment and other restricted investments
- J. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include net pension liability and compensated absences that will not be paid within the next fiscal year.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2016 *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 12 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows of resources and deferred inflows of resources 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 January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

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

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

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

- L. Deferred Outflows/Inflows of Resources** - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows for pensions qualifies for reporting in this category.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until then. Deferred inflows for pensions qualifies for reporting in this category.

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

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

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

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

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

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

- N. 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.
- O. 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.
- 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, 2017 was \$667.00. The carrying amount of the College's deposits not with the State Treasurer, including certificates of deposit of \$75,000.00 reported as investments on the Statement of Net Position, was \$258,924.37, and the bank balance was \$265,525.13.

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, 2017, 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, 2017, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$617,782.57, 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 1.6 years as of June 30, 2017. Assets and shares of the STIF are valued at 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 North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

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

Investments of the College's blended component unit, Pamlico Community College Foundation, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements.

The following table presents the investments by type and investments subject to interest rate risk at June 30, 2017, for the College's investments. Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No.3*, as the risk a government may face should interest rate variances affect the value of investments. The College does not have a formal investment policy that addresses interest rate risk.

### Investments

Investment Type	Amount	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities				
Debt Mutual Funds	\$ 147,632.87	\$ 16,613.35	\$ 7,269.41	\$ 123,750.11
Money Market Mutual Funds	692.72	692.72		
<b>Total Debt Securities</b>	<b>148,325.59</b>	<b>\$ 17,306.07</b>	<b>\$ 7,269.41</b>	<b>\$ 123,750.11</b>
Other Securities				
Certificates of Deposit	75,000.00			
Mutual Funds	221,577.96			
<b>Total Investments</b>	<b>\$ 444,903.55</b>			

Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note.

**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, 2017, the College's investments were rated as follows:

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Debt Mutual Funds	\$ 147,632.87	\$ 70,474.22	\$ 9,117.74	\$ 17,091.62	\$ 27,108.43	\$ 10,356.40	\$ 13,484.46
Money Market Mutual Funds	692.72	692.72					
<b>Totals</b>	<b>\$ 148,325.59</b>	<b>\$ 71,166.94</b>	<b>\$ 9,117.74</b>	<b>\$ 17,091.62</b>	<b>\$ 27,108.43</b>	<b>\$ 10,356.40</b>	<b>\$ 13,484.46</b>

Rating Agency: Morningstar / Standard and Poors

**C. Reconciliation of Deposits and Investments** - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2017, is as follows:

Cash on Hand	\$ 667.00
Carrying Amount of Deposits with Private Financial Institutions	258,924.37
Investments in the Short-Term Investment Fund	617,782.57
Other Investments	<u>369,903.55</u>
<b>Total Deposits and Investments</b>	<b><u>\$ 1,247,277.49</u></b>
Deposits	
Current:	
Cash and Cash Equivalents	\$ 435,236.45
Restricted Cash and Cash Equivalents	132,960.39
Noncurrent:	
Restricted Cash and Cash Equivalents	<u>234,177.10</u>
<b>Total Deposits</b>	<b><u>802,373.94</u></b>
Investments	
Current:	
Short-Term Investments	21,927.54
Restricted Short-Term Investments	53,722.46
Noncurrent:	
Restricted Investments	<u>369,253.55</u>
<b>Total Investments</b>	<b><u>444,903.55</u></b>
<b>Total Deposits and Investments</b>	<b><u>\$ 1,247,277.49</u></b>

### NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the College's investments are recorded at fair value as of June 30, 2017. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1	Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
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Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.

Level 3 Investments classified as Level 3 have unobservable inputs and may require a degree of professional judgment.

The following table summarizes the College's investments, including the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2017:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
Debt Mutual Funds	\$ 147,632.87	\$ 147,632.87	\$ 0.00	\$ 0.00
Money Market Mutual Funds	692.72	692.72		
Total Debt Securities	148,325.59	148,325.59		
Other Securities				
Short-Term Investment Fund	617,782.57		617,782.57	
Equity Mutual Funds	221,577.96	221,577.96		
Total Investments by Fair Value Level	\$ 987,686.12	\$ 369,903.55	\$ 617,782.57	\$ 0.00

**Short-Term Investment Fund** - Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian.

**Debt and Equity Securities** - Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

#### NOTE 4 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with state agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2017, net appreciation of \$9,269.96 was available to be spent, of which \$9,186.69 was classified in net position as restricted expendable: scholarships and fellowships as it is restricted for specific



purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net position.

#### NOTE 5 - RECEIVABLES

Receivables at June 30, 2017, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 176,303.15	\$ 134,773.30	\$ 41,529.85
Accounts	58,109.32		58,109.32
Intergovernmental	19,928.76		19,928.76
Other	2,136.79		2,136.79
<b>Total Current Receivables</b>	<u>\$ 256,478.02</u>	<u>\$ 134,773.30</u>	<u>\$ 121,704.72</u>
<b>Notes Receivable</b>			
Notes Receivable - Current			
Institutional Student Loan Programs	<u>\$ 10,118.38</u>	<u>\$ 9,185.13</u>	<u>\$ 933.25</u>

#### NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2017, is presented as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
<b>Capital Assets, Nondepreciable:</b>				
Land	\$ 381,050.00	\$ 0.00	\$ 0.00	\$ 381,050.00
Art	5,000.00			5,000.00
<b>Total Capital Assets, Nondepreciable</b>	<u>386,050.00</u>			<u>386,050.00</u>
<b>Capital Assets, Depreciable:</b>				
Buildings	8,555,717.57			8,555,717.57
Machinery and Equipment	876,696.91	24,651.14	119,010.66	782,337.39
General Infrastructure	132,339.28			132,339.28
<b>Total Capital Assets, Depreciable</b>	<u>9,564,753.76</u>	<u>24,651.14</u>	<u>119,010.66</u>	<u>9,470,394.24</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	2,827,433.21	174,500.16		3,001,933.37
Machinery and Equipment	571,545.74	44,535.78	119,010.66	497,070.86
General Infrastructure	54,033.63	8,341.20		62,374.83
<b>Total Accumulated Depreciation</b>	<u>3,453,012.58</u>	<u>227,377.14</u>	<u>119,010.66</u>	<u>3,561,379.06</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>6,111,741.18</u>	<u>(202,726.00)</u>		<u>5,909,015.18</u>
<b>Capital Assets, Net</b>	<u>\$ 6,497,791.18</u>	<u>\$ (202,726.00)</u>	<u>\$ 0.00</u>	<u>\$ 6,295,065.18</u>

**NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2017, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 15,376.88
Accrued Payroll	97,749.76
Total Current Accounts Payable and Accrued Liabilities	<u>\$ 113,126.64</u>

**NOTE 8 - LONG-TERM LIABILITIES**

A summary of changes in the long-term liabilities for the year ended June 30, 2017, is presented as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Net Pension Liability	\$ 732,249.00	\$ 1,183,162.00	\$ 0.00	\$ 1,915,411.00	\$ 0.00
Compensated Absences	245,014.83	233,247.70	242,817.13	235,445.40	49,678.98
Total Long-Term Liabilities	<u>\$ 977,263.83</u>	<u>\$ 1,416,409.70</u>	<u>\$ 242,817.13</u>	<u>\$ 2,150,856.40</u>	<u>\$ 49,678.98</u>

Additional information regarding the net pension liability is included in Note 12.

**NOTE 9 - OPERATING LEASE OBLIGATIONS**

The College entered into operating leases for copiers. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2017:

Fiscal Year	Amount
2018	\$ 12,989.40
2019	3,718.12
Total Minimum Lease Payments	<u>\$ 16,707.52</u>

Rental expense for all operating leases during the year was \$12,989.40.

**NOTE 10 - REVENUES**

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$ 725,900.49</u>	<u>\$ 296,651.55</u>	<u>\$ 767.56</u>	<u>\$ 428,481.38</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	\$ 186,562.90	\$ 121,419.97	\$ 350.67	\$ 64,792.26
Other	<u>27,925.80</u>			<u>27,925.80</u>
Total Sales and Services, Net	<u>\$ 214,488.70</u>	<u>\$ 121,419.97</u>	<u>\$ 350.67</u>	<u>\$ 92,718.06</u>

**NOTE 11 - 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	\$ 2,534,209.80	\$ 89,496.22	\$ 67,284.87	\$ 0.00	\$ 0.00	\$ 0.00	\$ 2,690,990.89
Academic Support	744,600.50	7,601.17	39,471.45				791,673.12
Student Services	515,780.54	37,090.72	25,637.36		383.35		578,891.97
Institutional Support	1,383,726.03	24,591.98	243,398.85				1,651,716.86
Operations and Maintenance of Plant	295,301.90	39,271.69	129,540.49		104,737.17		568,851.25
Student Financial Aid				478,058.51			478,058.51
Auxiliary Enterprises	21,984.94	161,357.13	6,738.99				190,081.06
Depreciation						227,377.14	227,377.14
Total Operating Expenses	<u>\$ 5,495,603.71</u>	<u>\$ 359,408.91</u>	<u>\$ 512,072.01</u>	<u>\$ 478,058.51</u>	<u>\$ 105,120.52</u>	<u>\$ 227,377.14</u>	<u>\$ 7,177,640.80</u>

**NOTE 12 - 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 pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. 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 annual pay. The contribution rate for employers is set each year by the North Carolina 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, 2017 was 9.98% of covered payroll. Employee contributions to the pension plan were \$214,609.73, and the College's contributions were \$356,967.52 for the year ended June 30, 2017.

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 2016 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <http://www.osc.nc.gov/> 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 Fixed Income Asset Class includes the Long-Term Investment and External Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. 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 2016 *Comprehensive Annual Financial Report*.

*Net Pension Liability:* At June 30, 2017, the College reported a liability of \$1,915,411.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, and update procedures were used to roll forward the total pension liability to June 30, 2016. 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, 2016, the College's proportion was 0.02084%, which was an increase of .00097 from its proportion measured as of June 30, 2015.

*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	12/31/2015
Inflation	3%
Salary Increases*	3.50% - 8.10%
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, 2015 valuations were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2016 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Credit	6.0%
Inflation Protection	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability and investment policy of 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 3.05%. Return projections do not include any excess return expectations over benchmark averages. 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 at June 30, 2016 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		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 3,602,518.48	\$ 1,915,411.00	\$ 496,785.38

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* For the year ended June 30, 2017, the College recognized pension expense of \$394,694.00. At June 30, 2017, 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	\$ 90,525.00
Changes of Assumptions	282,477.00	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	683,097.00	
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	79,457.32	562.00
Contributions Subsequent to the Measurement Date	356,967.52	
<b>Total</b>	<b>\$ 1,401,998.84</b>	<b>\$ 91,087.00</b>

The amount of \$356,967.52 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, 2018. 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
2018	\$ 173,318.00
2019	174,243.00
2020	389,086.00
2021	217,297.32
<b>Total</b>	<b>\$ 953,944.32</b>

**NOTE 13 - 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 period July 1, 2016 through December 31, 2016, the College contributed 5.60% of the covered payroll under TSERS to the Fund, and for the period January 1, 2017 through June 30, 2017, the College contributed 6.02% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2016, and 2015, were 5.60% and 5.49%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2017, 2016, and 2015, which were \$207,813.76, \$183,315.66, and \$182,886.51, 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 on the North Carolina Office of the State Controller's website at <http://www.osc.nc.gov/> 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, 2017, the College made a statutory contribution of .38% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2016, and 2015, were .41% in both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2017, 2016, and 2015, which were \$13,591.95, \$13,421.33, and \$13,658.19, 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 14 - 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 \$100,000 deductible. All employees are covered under a blanket policy for employee dishonesty and fraud with a private

insurance company. Limits of the coverage are \$10,000 per occurrence and a \$250 deductible.

#### 4. Statewide Workers' Compensation Program

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

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

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

The College purchased malpractice insurance for students in medical-related fields. Coverage is provided at \$1,000,000 per occurrence with a limit of \$5,000,000.

### NOTE 15 - BLENDED COMPONENT UNIT

Condensed combining information for the College's blended component unit for the year ended June 30, 2017, is presented as follows:

#### *Condensed Statement of Net Position June 30, 2017*

	Pamlico Community College	Pamlico Community College Foundation, Inc.	Eliminations	Total
<b>ASSETS</b>				
Current Assets	\$ 914,978.93	\$ 2,570	\$ 0.00	\$ 917,548.93
Capital Assets	6,290,065.18	5,000		6,295,065.18
Noncurrent Assets	217,726.65	444,904		662,630.65
Component Unit Cash Held by College		267,321	(267,321.00)	
Total Assets	<u>7,422,770.76</u>	<u>719,795</u>	<u>(267,321.00)</u>	<u>7,875,244.76</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,401,998.84</u>			<u>1,401,998.84</u>
<b>LIABILITIES</b>				
Current Liabilities	188,763.49	73		188,836.49
Long-Term Liabilities	2,101,177.42			2,101,177.42
Primary Government Funds Held for Component Unit	267,321.00		(267,321.00)	0.00
Total Liabilities	<u>2,557,261.91</u>	<u>73</u>	<u>(267,321.00)</u>	<u>2,290,013.91</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>91,087.00</u>			<u>91,087.00</u>
<b>NET POSITION</b>				
Investment in Capital Assets	6,290,065.18	5,000		6,295,065.18
Restricted - Nonexpendable		542,133	(0.03)	542,132.97
Restricted - Expendable	196,847.01	111,870	0.03	308,717.04
Unrestricted	(310,491.50)	60,719		(249,772.50)
Total Net Position	<u>\$ 6,176,420.69</u>	<u>\$ 719,722</u>	<u>\$ 0.00</u>	<u>\$ 6,896,142.69</u>

**Condensed Statement of Revenues, Expenses, and  
Changes in Net Position  
For the Fiscal Year Ended June 30, 2017**

	Pamlico Community College	Pamlico Community College Foundation, Inc.	Eliminations	Total
<b>OPERATING REVENUES</b>				
Student Tuition and Fees, Net	\$ 428,481.38	\$ 0	\$ 0.00	\$ 428,481.38
Sales and Services, Net	92,718.06			92,718.06
Other Operating Revenues	11,481.53			11,481.53
Fundraising		37,844	(37,844.00)	
Total Operating Revenues	532,680.97	37,844	(37,844.00)	532,680.97
<b>OPERATING EXPENSES</b>				
Operating Expenses	6,906,632.66	43,631		6,950,263.66
Depreciation	227,377.14			227,377.14
Total Operating Expenses	7,134,009.80	43,631		7,177,640.80
Operating Loss	(6,601,328.83)	(5,787)	(37,844.00)	(6,644,959.83)
<b>NONOPERATING REVENUES</b>				
State Aid	4,557,336.11			4,557,336.11
County Appropriations	566,028.00			566,028.00
Noncapital Grants - Student Financial Aid	881,797.59			881,797.59
Noncapital Grants	148,133.60			148,133.60
Noncapital Gifts	2,659.69	29,681	37,844.00	70,184.69
Investment Income	3,530.52	47,618		51,148.52
Net Nonoperating Revenues	6,159,485.51	77,299	37,844.00	6,274,628.51
State Capital Aid	69,073.26			69,073.26
County Capital Aid	11,900.00			11,900.00
Additions to Endowments	10,640.02			10,640.02
Increase (Decrease) in Net Position	(350,230.04)	71,512		(278,718.04)
<b>NET POSITION</b>				
Net Position, July 1, 2016	6,526,650.73	648,210		7,174,860.73
Net Position, June 30, 2017	\$ 6,176,420.69	\$ 719,722	\$ 0.00	\$ 6,896,142.69

**Condensed Statement of Cash Flows  
June 30, 2017**

	Pamlico Community College	Pamlico Community College Foundation, Inc.	Total
Net Cash Used by Operating Activities	\$ (6,383,614.07)	\$ (4,790)	\$ (6,388,404.07)
Cash Provided by Noncapital Financing Activities	6,213,406.21	29,681	6,243,087.21
Net Cash Provided by Capital and Related Financing Activities	99,398.99		99,398.99
Net Cash Provided by Investing Activities	1,800.19	3,933	5,733.19
Net Increase (Decrease) in Cash and Cash Equivalents	(69,008.68)	28,824	(40,184.68)
Cash and Cash Equivalents, July 1, 2016	600,267.62	242,291	842,558.62
Cash and Cash Equivalents, June 30, 2017	\$ 531,258.94	\$ 271,115	\$ 802,373.94

**NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING**

For the fiscal year ended June 30, 2017, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*

GASB Statement No. 82, *Pension Issues – An amendment of GASB Statement No. 67, No. 68, and No. 73*

GASB Statement No. 80 clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

GASB Statement No. 82 addresses certain issues with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.



# **REQUIRED SUPPLEMENTARY INFORMATION**

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

**Exhibit B-1**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Proportionate Share Percentage of Collective Net Pension Liability	0.02084%	0.01987%	0.02088%	0.02070%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 1,915,411.00	\$ 732,249.00	\$ 244,802.00	\$ 1,256,701.00
Covered Payroll	\$ 3,273,494.01	\$ 3,331,266.03	\$ 3,261,513.47	\$ 3,343,498.07
Net Pension Liability as a Percentage of Covered Payroll	58.51%	21.98%	7.51%	37.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	94.64%	98.24%	90.60%

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

**Exhibit B-2**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 356,967.52	\$ 299,524.70	\$ 304,810.84	\$ 283,425.52	\$ 278,513.39
Contributions in Relation to the Contractually Determined Contribution	<u>356,967.52</u>	<u>299,524.70</u>	<u>304,810.84</u>	<u>283,425.52</u>	<u>278,513.39</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 Payroll	\$ 3,576,828.83	\$ 3,273,494.01	\$ 3,331,266.03	\$ 3,261,513.47	\$ 3,343,498.07
Contributions as a Percentage of Covered Payroll	9.98%	9.15%	9.15%	8.69%	8.33%

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$ 241,722.03	\$ 158,386.11	\$ 112,428.54	\$ 105,105.19	\$ 91,134.59
Contributions in Relation to the Contractually Determined Contribution	<u>241,722.03</u>	<u>158,386.11</u>	<u>112,428.54</u>	<u>105,105.19</u>	<u>91,134.59</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 Payroll	\$ 3,248,952.02	\$ 3,212,699.94	\$ 3,149,258.81	\$ 3,128,130.72	\$ 2,988,019.34
Contributions as a Percentage of Covered Payroll	7.44%	4.93%	3.57%	3.36%	3.05%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the pension RSI tables.



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

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*Changes of Benefit Terms:*

**Cost of Living Increase**

<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

*Changes of assumptions.* In 2008, 2012, and 2015, the actuarial assumptions were updated to more closely reflect actual experience. In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement systems' actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience.

The Notes to Required Supplementary Information reflects information included in the State of North Carolina's 2016 *Comprehensive Annual Financial Report*.



# **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**

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Board of Trustees  
Pamlico Community College  
Grantsboro, 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 Pamlico Community College (College), a component unit of the State of North Carolina, as of and for the year ended June 30, 2017, 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 27, 2018. Our report includes a reference to other auditors who audited the financial statements of Pamlico Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Pamlico 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 Pamlico 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, CPA  
State Auditor

Raleigh, North Carolina

March 27, 2018

# ORDERING INFORMATION

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For additional information contact:  
Brad Young  
Director of External Affairs  
**919-807-7513**



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This audit required 290 hours at an approximate cost of \$29,870.00.