

# STATE OF NORTH CAROLINA

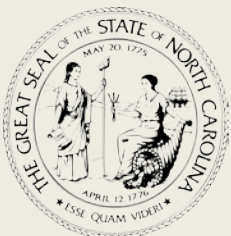
OFFICE OF THE STATE AUDITOR  
BETH A. WOOD, CPA



## WINSTON-SALEM STATE UNIVERSITY

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

A CONSTITUENT INSTITUTION OF THE UNIVERSITY OF NORTH CAROLINA  
SYSTEM AND A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



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



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

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## AUDITOR'S TRANSMITTAL

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The Honorable Pat McCrory, Governor  
The General Assembly of North Carolina  
Board of Trustees, Winston-Salem State University

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

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

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

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

Beth A. Wood, CPA  
State Auditor



Beth A. Wood, CPA  
State Auditor

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



# INDEPENDENT AUDITOR'S REPORT

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



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

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## **INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Winston-Salem State University  
Winston-Salem, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of Winston-Salem State University, a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Winston-Salem State University Foundation, Inc. and Subsidiary, the University's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Winston-Salem State University Foundation, Inc. and Subsidiary, 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 the Winston-Salem State University Foundation, Inc. and Subsidiary 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 University'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 University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

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

### Emphasis of Matter

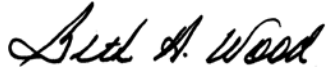
As discussed in Note 15 to the financial statements, during the year ended June 30, 2015, Winston-Salem State University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68. – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### Other Matters – Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015 on our consideration of the University'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 University's internal control over financial reporting and compliance.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

December 7, 2015



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**



This section of the Winston-Salem State University (the "University") annual financial report presents our discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2015. This discussion has been prepared by University management along with the financial statements and notes to the financial statements and should be read in conjunction with, and is qualified in its entirety by, the financial statements and notes. The Management's Discussion and Analysis has comparative data for the applicable years (past and current) with emphasis on the current year. The financial statements, notes, and this discussion are the responsibility of University management.

### **Using the Annual Report**

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board's (GASB) pronouncements. GASB pronouncements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis for the University as a whole, with resources classified for accounting and reporting purposes into four net position categories. One of the most important questions asked is whether the University as a whole is better or worse off as a result of the year's activities. The key to understanding this question is provided within the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Position includes all assets and liabilities. The University's net position (total assets plus deferred outflows less total liabilities plus deferred inflows) is an indicator of the University's financial health. Over time, increases or decreases in net position are one indicator of the improvement or erosion of the University's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. All things being equal, a public University's dependency on state appropriations and gifts will result in operating deficits, because GASB Statement No. 35 classifies state appropriations, certain grants, and gifts as nonoperating revenues.

The Statement of Cash Flows provides information relative to the University's sources and uses of cash for operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The statement provides a reconciliation of beginning cash balances and is representative of the activity reported on the Statement of Revenues, Expenses, and Changes in Net Position as adjusted for changes in the beginning and ending balances of noncash accounts on the Statement of Net Position. For the purpose of this discussion, we will address the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

### **Reporting Entity**

The financial statements report information about the University as a whole using accounting methods similar to those used by private-sector companies. The University's supporting organization, the Winston-Salem State University Foundation, Inc. and Subsidiary (the "Foundation"), is an independent nonprofit corporation formed for the exclusive benefit of

the University. Under GASB Standards, the Foundation meets the requirements to be reported discretely in these financial statements.

### Financial Highlights

The University's financial position, as a whole, increased during the fiscal year ended June 30, 2015. Its combined net position increased \$6,226,995.24 or 4.6% from the previous year.

### Condensed Financial Information

#### Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), liabilities (current and noncurrent), and the net position (total assets plus deferred outflows less total liabilities plus deferred inflows) of the University. This condensed financial statement provides a comparative University fiscal snapshot as of June 30, 2015 and June 30, 2014. This provides the readers of this statement with information on assets available to continue operations.

<b>Condensed Statements of Net Position</b>				
<b>6/30/2015 and 6/30/2014</b>				
	<u>2015</u>	<u>2014</u> (As Restated)	<u>\$ Change</u>	<u>% Chg</u>
<b>Assets</b>				
Current Assets	\$ 17,534,707.18	\$ 22,334,244.39	\$ (4,799,537.21)	(21.5%)
Noncurrent Assets				
Capital	189,717,493.96	189,994,108.67	(276,614.71)	(0.1%)
Other	<u>50,762,939.40</u>	<u>47,585,786.95</u>	<u>3,177,152.45</u>	6.7%
Total Assets	<u>258,015,140.54</u>	<u>259,914,140.01</u>	<u>(1,898,999.47)</u>	(0.7%)
Deferred Outflows of Resources	<u>3,704,399.00</u>	<u>3,166,822.00</u>	<u>537,577.00</u>	17.0%
<b>Liabilities</b>				
Current Liabilities	10,889,849.07	13,669,936.89	(2,780,087.82)	(20.3%)
Long-Term Liabilities	95,744,831.54	112,155,269.81	(16,410,438.27)	(14.6%)
Other Noncurrent Liabilities	<u>2,579,243.64</u>	<u>2,461,741.82</u>	<u>117,501.82</u>	4.8%
Total Liabilities	<u>109,213,924.25</u>	<u>128,286,948.52</u>	<u>(19,073,024.27)</u>	(14.9%)
Deferred Inflows of Resources	<u>11,484,606.56</u>	<u>0.00</u>	<u>11,484,606.56</u>	100.0%
<b>Net Position*</b>				
Net Investment in Capital Assets	114,485,551.31	114,223,494.49	262,056.82	0.2%
Restricted:				
Nonexpendable	18,408,415.49	18,375,778.20	32,637.29	0.2%
Expendable	16,493,921.78	12,471,526.69	4,022,395.09	32.3%
Unrestricted	<u>(8,366,879.85)</u>	<u>(10,276,785.89)</u>	<u>1,909,906.04</u>	18.6%
Total Net Position	<u>\$ 141,021,008.73</u>	<u>\$ 134,794,013.49</u>	<u>\$ 6,226,995.24</u>	4.6%

\*Net Position categories are defined in Note 1L of the Notes to the Financial Statements.

As of June 30, 2015, total University assets were \$258,015,140.54. The University's largest asset category at June 30, 2015 is capital assets totaling \$189,717,493.96, which decreased \$276,614.71 compared to the prior year's capital assets of \$189,994,108.67. This decrease

is mainly due to completion of the Brown Residence Hall Renovations and the Student Success Center in the amount of \$1,184,535.51, and net equipment additions of \$728,114.07. These additions were offset against a \$6,694,342.60 net increase in accumulated depreciation/amortization with a \$4,505,078.31 net increase in construction in progress. The University's June 30, 2015 current assets of \$17,534,707.18 decreased \$4,799,537.21 compared to the prior year's current assets of \$22,334,244.39. This decrease is primarily due to a reduction in restricted cash and cash equivalents due to the continuing work on the Center for Design Innovation and increased spending on Financial Aid from restricted sources.

The \$17,534,707.18 in current assets covered the current liabilities of \$10,889,849.07, as the current ratio was \$1.61 in current assets to every \$1.00 in current liabilities.

Other Noncurrent Assets at June 30, 2015 were \$50,762,939.40 compared to \$47,585,786.95 at June 30, 2014. The \$3,177,152.45 increase is mainly due to an increase in unrealized gains from endowment investments over the previous fiscal year, increase in restricted investments related to the new energy conservation project, and increase in construction renovation and repair funds from the state.

Deferred Outflows of Resources Related to Pensions of \$3,704,399.00 at June 30, 2015 is due to implementation of GASB 68 Accounting and Financial Reporting for Pensions.

At June 30, 2015, the Deferred Inflows of Resources Related to Pensions of \$10,445,160.00 is due to implementation of GASB 68 Accounting and Financial Reporting for Pensions and the Other Deferred Inflows of \$1,039,446.56 is the principal savings from the Foundation's bond refunding, net of amortization. See further discussion in the Capital Assets and Long-Term Debt section below.

University liabilities totaled \$109,213,924.25 at June 30, 2015 compared to \$128,286,948.52 per the prior year, a decrease of \$19,073,024.27. This variance is mainly attributed to the Net Pension Liability restatement due to the implementation of GASB Statement No. 68 as well as to the payment of invoices related to the completion of Student Activities Center and Student Success Center capital projects.

The University's net investment in capital assets was \$114,485,551.31 at June 30, 2015 compared to \$114,223,494.49 in the prior year, an increase of \$262,056.82. The significant portion of the increase is primarily due to the completion of the Brown Hall residence hall mentioned above offset with current year depreciation and the spent proceeds received from revenue bond debt.

As of June 30, 2015, the University's restricted nonexpendable net position was \$18,408,415.49 compared to \$18,375,778.20 in the prior year, an increase of \$32,637.29 due to receiving additions to endowments during the year. The University's restricted expendable net position was \$16,493,921.78 compared to the prior year \$12,471,526.69. The increase is due to unrealized gains on endowment investments and an increase in state appropriated renovation and repair funding related to capital projects.

The University's unrestricted net position was a negative \$8,366,879.85 at June 30, 2015 compared to a negative \$10,276,785.89 (restated) in the prior year. This improvement of \$1,909,906.04 or 18.6% is primarily due to pension liability adjustment for the fiscal year due to the implementation of GASB 68 Accounting and Financial Reporting for Pensions.

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

The Statement of Revenues, Expenses, and Changes in Net Position presents the activity that shows the changes in net position. The activity is represented by the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, as well as any other revenues, expenses, gains and losses received or expended by the University.

Operating revenues are received for providing goods and services to the various customers of the University. Operating expenses are used to acquire goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the University, as well as investment income, are considered nonoperating activities since these are either investing, capital, or noncapital financing activities. Nonoperating expenses are expenses other than those involved in the normal operation of the University that can include interest expense.

**Condensed Statement of Revenues, Expenses, and  
Changes in Net Position  
6/30/2015 and 6/30/2014**

	<u>2015</u>	<u>2014*</u>	<u>\$ Change</u>	<u>% Chg</u>
<b>Operating Revenues:</b>				
Student Tuition and Fees, Net	\$ 22,481,686.35	\$ 21,912,882.68	\$ 568,803.67	2.6%
Sales and Services, Net	15,769,183.66	14,428,868.68	1,340,314.98	9.3%
Other	<u>1,832,599.45</u>	<u>1,300,801.17</u>	<u>531,798.28</u>	40.9%
Total Operating Revenues	<u>40,083,469.46</u>	<u>37,642,552.53</u>	<u>2,440,916.93</u>	6.5%
<b>Operating Expenses:</b>				
Salaries and Benefits	80,365,853.93	85,616,538.84	(5,250,684.91)	(6.1%)
Supplies and Materials	5,609,757.99	8,330,954.01	(2,721,196.02)	(32.7%)
Services	23,897,816.21	21,638,489.94	2,259,326.27	10.4%
Scholarships and Fellowships	12,978,463.45	12,379,258.61	599,204.84	4.8%
Utilities	2,915,885.72	3,207,101.87	(291,216.15)	(9.1%)
Depreciation/Amortization	<u>7,369,174.10</u>	<u>7,056,289.20</u>	<u>312,884.90</u>	4.4%
Total Operating Expenses	<u>133,136,951.40</u>	<u>138,228,632.47</u>	<u>(5,091,681.07)</u>	(3.7%)
Operating Loss	(93,053,481.94)	(100,586,079.94)	7,532,598.00	(7.5%)
<b>Nonoperating Revenues (Expenses):</b>				
State Appropriations	64,706,895.91	65,447,759.09	(740,863.18)	(1.1%)
Noncapital Grants	30,315,867.85	30,685,335.23	(369,467.38)	(1.2%)
Noncapital Gifts	187,387.60	700,398.96	(513,011.36)	(73.2%)
Investment Income, Net	2,386,280.05	3,490,957.07	(1,104,677.02)	(31.6%)
Interest and Fees on Debt	(4,021,468.01)	(3,540,482.33)	(480,985.68)	13.6%
Other Nonoperating Expenses	<u>(280,209.47)</u>	<u>(280,209.47)</u>	<u>280,209.47</u>	(100%)
Net Nonoperating Revenues	<u>93,574,963.40</u>	<u>96,503,758.55</u>	<u>(2,928,795.15)</u>	(3.0%)
Income (Loss) Before Other Revenues	521,481.46	(4,082,321.39)	4,603,802.85	(112.8%)
Capital Appropriations		1,788,627.00	(1,788,627.00)	(100%)
Capital Grants	5,688,545.35	3,494,962.73	2,193,582.62	62.8%
Additions to Endowments	<u>16,968.43</u>	<u>1,129,302.08</u>	<u>(1,112,333.65)</u>	(98.5%)
Total Other Revenues	<u>5,705,513.78</u>	<u>6,412,891.81</u>	<u>(707,378.03)</u>	(11.0%)
Increase in Net Position	6,226,995.24	2,330,570.42	3,896,424.82	167.2%
<b>Net Position:</b>				
Beginning of Year	146,373,696.49	144,043,126.07		
Restatement	<u>(11,579,683.00)</u>	<u>(11,579,683.00)</u>		
End of Year	<u>\$ 141,021,008.73</u>	<u>\$ 146,373,696.49</u>	<u>\$ (5,352,687.76)</u>	(3.7%)

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

Total operating loss for fiscal year 2015 was \$93,053,481.94. Since the State of North Carolina appropriation, certain grants, and gifts are not included within operating revenues per GASB Statement No. 35, the University will show a significant operating loss on a continuing basis.

The sources of operating revenues for the University are tuition and fees, auxiliary services, and other educational activities.

The University strives to provide students with the opportunity to obtain a quality education. Future University enrollments may be affected by a number of factors, including any material increase in tuition and other mandatory charges, stemming from any material decrease in appropriation funding from the State of North Carolina.

Total expenses were \$137,158,419.41 for fiscal year 2015, compared to \$142,049,324.27 for fiscal year 2014, resulting in a decrease of \$4,890,904.86. Operating expenses, including depreciation/amortization of \$7,369,174.10, totaled \$133,136,951.40. Of this total, \$61,380,742.44 or 46.1% was used for instruction and student support. Changes within key operating expenses are identified as follows:

- Salaries and benefits decreased by \$5,250,684.91 due to attrition and the University implementing a hiring freeze for the majority of the fiscal year and implementation of GASB Statement No. 68.
- Supplies and materials decreased by \$2,721,196.02 due to the completion of capital projects causing more expenses in the current year versus expenses incurred in the prior fiscal year.
- Services increased by \$2,259,326.27 primarily due to increased spending on IT maintenance agreements.

The University's largest source of nonoperating revenue is the State of North Carolina appropriations. This is received in monthly payments, beginning in July of each year, since the State's fiscal year begins on July 1. There is no direct connection between the amount of tuition revenues collected by the University and the amount of state funds appropriated in any given year. For the fiscal year ended June 30, 2015, the State of North Carolina appropriated to the University \$64,706,895.91 for operations and provided \$5,688,545.35 in capital grants.

Total revenues were \$143,385,414.65 for fiscal year 2015, compared to \$144,379,894.69 for fiscal year 2014, resulting in a decrease of \$994,480.04, which is primarily attributed to the following:

- Student tuition and fees revenue increased \$568,803.67 from last year due to increase student and fee charges.
- Sales and Services revenues increased \$1,340,314.98 due to increase in housing and dining charges.
- State appropriations reflect a \$740,863.18 decrease due to decreased funding from the State of North Carolina.
- State capital appropriations reflect a \$1,788,627.00 decrease due to a decrease in funding from the State of North Carolina.

- Investment income decreased \$1,104,677.02 mainly due to the decrease in Endowment return as compared to prior year (9.3% 2015 from 15.7% 2014).
- Capital grants increased by \$2,193,582.62 due to funds received from the State for the Center for Design Innovation.
- Additions to Endowments decreased by \$1,112,333.65 due to reduced contributions by donors.

One of the University's greatest strengths is the diverse streams of revenues which supplement its student tuition and fees, including voluntary private support from individuals, foundations, and corporations, along with government and other sponsored programs, state appropriations, and investment income. The University has and will continue to seek funding aggressively from all possible sources consistent with its mission, to supplement student tuition and manage prudently the financial resources realized from these efforts to fund its operating activities.

### **Capital Assets and Long-Term Debt**

Major capital expenses for the year ended June 30, 2015 included \$935,199.61 for the Renovation of Brown residence hall and \$249,335.90 in construction cost related to the Student Success Center construction and Joint Center for Design Innovation costs of \$3,714,731.96. The University's capital assets, net of accumulated depreciation/amortization at June 30, 2015, were \$189,717,493.96. For more information about the University's capital asset holdings, refer to Note 5 of the Notes to the Financial Statements.

Long-term debt totaled \$100,495,878.68 at June 30, 2015, compared to \$116,365,904.25 in the prior year, a decrease of \$15,870,025.57. The decrease is a result of the net effect of recording the Net Pension Liability and payment on long term debt. In August of 2014, the Foundation refunded their Series 2004 housing bonds, which were originally used to construct two student residence halls, RAMS Commons and Gleason-Hairston Terrace. The University leases these buildings from the Foundation as a capital lease. The economic advantages of the refunding resulted in a savings in future minimum lease payments of \$1,085,000 to the University and was recorded as a Deferred Inflow of Resources on the Statement of Net Position. For more information about the University's long-term debt, refer to Note 7 of the Notes to the Financial Statements.

### **Factors Impacting Future Periods**

Management believes that the University is well positioned to continue its strong financial condition and level of excellence in service to students, the community, and governmental agencies. This flexibility, along with the University's ongoing efforts toward revenue diversification and cost containment, will enable the University to provide the necessary resources to support this level of excellence.

A crucial element to the University's future will continue to be our relationship with the State of North Carolina, as we work to manage tuition to make it competitive while providing an outstanding college education for our students. There is a direct relationship between the growth of state support and the University's ability to control tuition growth, as declines in state appropriations generally result in increased tuition levels.

The University continues to execute its long-range plan to modernize and expand its complement of facilities with a balance of new construction. The University has plans to



increase the availability of on-campus housing offerings to its students and has entered into an agreement with the Winston-Salem State University Foundation, Inc. and Subsidiary to work collaboratively towards this effort. This strategy addresses the University's growth and the continuing effects of technology on teaching methodologies.

Private gifts are an important supplement to the fundamental support from the State and student tuition, and a significant factor in the growth of academic units. Economic pressures affecting donors may also affect the future level of support the University receives from corporate and individual giving.

The University will continue to employ its long-term investment strategy to maximize total returns, at an appropriate level of risk, while utilizing a spending rate policy to insulate the University's operations from temporary market volatility.

While it is not possible to predict the ultimate results, management believes that the University's financial condition is strong enough to weather any economic uncertainties.



# FINANCIAL STATEMENTS



**Winston-Salem State University**  
**Statement of Net Position**  
**June 30, 2015**

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

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 7,948,467.76
Restricted Cash and Cash Equivalents	5,822,150.90
Restricted Short-Term Investments	7,153.08
Receivables, Net (Note 4)	3,505,084.01
Inventories	222,116.26
Notes Receivable, Net (Note 4)	<u>29,735.17</u>

Total Current Assets 17,534,707.18

Noncurrent Assets:

Restricted Cash and Cash Equivalents	22,785,426.72
Endowment Investments	27,153,969.56
Restricted Investments	316,035.48
Notes Receivable, Net (Note 4)	507,507.64
Capital Assets - Nondepreciable (Note 5)	23,390,477.94
Capital Assets - Depreciable, Net (Note 5)	<u>166,327,016.02</u>

Total Noncurrent Assets 240,480,433.36

Total Assets 258,015,140.54

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to Pensions 3,704,399.00

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	1,083,477.72
Due to Primary Government	5,732.38
Unearned Revenue	4,399,067.79
Interest Payable	650,524.04
Long-Term Liabilities - Current Portion (Note 7)	<u>4,751,047.14</u>

Total Current Liabilities 10,889,849.07

Noncurrent Liabilities:

Deposits Payable	79,600.48
Funds Held for Others	1,727,105.24
U. S. Government Grants Refundable	772,537.92
Long-Term Liabilities (Note 7)	<u>95,744,831.54</u>

Total Noncurrent Liabilities 98,324,075.18

Total Liabilities 109,213,924.25

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pensions 10,445,160.00

Other Deferred Inflows 1,039,446.56

Total Deferred Inflows of Resources 11,484,606.56

**Winston-Salem State University**  
**Statement of Net Position**  
**June 30, 2015**

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

**NET POSITION**

Net Investment in Capital Assets	114,485,551.31
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	3,653,956.05
Endowed Professorships	12,190,058.80
Departmental Uses	2,478,203.66
Loans	86,196.98
Expendable:	
Scholarships and Fellowships	659,653.71
Endowed Professorships	2,758,534.34
Departmental Uses	9,972,431.22
Loans	207,935.93
Capital Projects	2,895,366.58
Unrestricted	<u>(8,366,879.85)</u>
Total Net Position	<u>\$ 141,021,008.73</u>

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

**Winston-Salem State University**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2015**

**Exhibit A-2**

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net (Note 9)	\$ 22,481,686.35
Sales and Services, Net (Note 9)	15,769,183.66
Interest Earnings on Loans	4,327.87
Other Operating Revenues	<u>1,828,271.58</u>
Total Operating Revenues	<u>40,083,469.46</u>

**EXPENSES**

Operating Expenses:

Salaries and Benefits	80,365,853.93
Supplies and Materials	5,609,757.99
Services	23,897,816.21
Scholarships and Fellowships	12,978,463.45
Utilities	2,915,885.72
Depreciation/Amortization	<u>7,369,174.10</u>
Total Operating Expenses	<u>133,136,951.40</u>
Operating Loss	<u>(93,053,481.94)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	64,706,895.91
Noncapital Grants - Student Financial Aid	21,297,159.09
Noncapital Grants	9,018,708.76
Noncapital Gifts	187,387.60
Investment Income (Net of Investment Expense of \$130,450.46)	2,386,280.05
Interest and Fees on Debt	<u>(4,021,468.01)</u>
Net Nonoperating Revenues	<u>93,574,963.40</u>
Income Before Other Revenues	521,481.46
Capital Grants	5,688,545.35
Additions to Endowments	<u>16,968.43</u>
Increase in Net Position	6,226,995.24

**NET POSITION**

Net Position - July 1, 2014, as Restated (Note 15)	<u>134,794,013.49</u>
Net Position - June 30, 2015	<u>\$ 141,021,008.73</u>

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

**Winston-Salem State University**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2015**

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 39,378,754.88
Payments to Employees and Fringe Benefits	(81,967,513.71)
Payments to Vendors and Suppliers	(32,715,363.71)
Payments for Scholarships and Fellowships	(12,978,463.45)
Loans Issued	(58,000.00)
Collection of Loans	4,763.37
Interest Earned on Loans	4,327.87
Student Deposits Received	79,600.48
Student Deposits Returned	<u>(96,525.22)</u>
Net Cash Used by Operating Activities	<u>(88,348,419.49)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	64,706,895.91
Noncapital Grants - Student Financial Aid	21,397,308.99
Noncapital Grants	9,532,581.18
Noncapital Gifts	187,387.60
Additions to Endowments	16,968.43
William D. Ford Direct Lending Receipts	32,448,873.00
William D. Ford Direct Lending Disbursements	(32,448,873.00)
Related Activity Agency Receipts	<u>217,383.93</u>
Net Cash Provided by Noncapital Financing Activities	<u>96,058,526.04</u>

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

Proceeds from Capital Debt	370,679.00
Capital Grants	5,688,545.35
Acquisition and Construction of Capital Assets	(9,441,530.15)
Principal Paid on Capital Debt and Leases	(3,499,493.44)
Interest and Fees Paid on Capital Debt and Leases	<u>(4,008,387.22)</u>
Net Cash Used by Capital Financing and Related Financing Activities	<u>(10,890,186.46)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	4,521,652.72
Investment Income	181,428.83
Purchase of Investments and Related Fees	<u>(4,664,070.32)</u>
Net Cash Provided by Investing Activities	<u>39,011.23</u>

Net Decrease in Cash and Cash Equivalents	(3,141,068.68)
Cash and Cash Equivalents - July 1, 2014	<u>39,697,114.06</u>

Cash and Cash Equivalents - June 30, 2015	<u>\$ 36,556,045.38</u>
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**Winston-Salem State University Foundation, Inc. and Subsidiary**  
**Consolidated Statement of Financial Position**  
**June 30, 2015**

**Exhibit B-1**

**ASSETS**

Cash and Cash Equivalents	\$ 4,351,899
Restricted Cash	4,015,495
Certificates of Deposit	513,875
Receivables	1,766,458
Prepaid Expenses	33,873
Lease Obligation Receivable, Net	37,922,930
Pledges Receivable, Net	1,844,013
Investment Securities	12,851,404
Property and Equipment, Net	1,237,251
Property Held for Resale	14,546,028
Deferred Financing Costs, Net	<u>1,061,041</u>
Total Assets	<u>\$ 80,144,267</u>

**LIABILITIES**

Accounts Payable and Other Accruals	\$ 516,408
Line of Credit	1,292,237
Construction Note Payable	14,500,000
Bonds Payable, Net	<u>44,264,172</u>
Total Liabilities	<u>60,572,817</u>

**NET ASSETS**

Unrestricted	691,722
Temporarily Restricted	11,603,010
Permanently Restricted	<u>7,276,718</u>
Total Net Assets	<u>19,571,450</u>
Total Liabilities and Net Assets	<u>\$ 80,144,267</u>

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

**Winston-Salem State University Foundation, Inc. and Subsidiary**  
**Consolidated Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**

**Exhibit B-2**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Gifts and Grants	\$ 364,291	\$ 1,866,978	\$ 343,210	\$ 2,574,479
Investment Income	53,440			53,440
Realized and Unrealized Gains (Losses) on Investments	(42,936)	898,375		855,439
Administrative Fees	164,785			164,785
Program Income	20,168	286,199		306,367
Passport Income	9,260			9,260
Lease Income	2,466,905			2,466,905
Other	20,087			20,087
	<u>3,056,000</u>	<u>3,051,552</u>	<u>343,210</u>	<u>6,450,762</u>
Net Assets Released from Restrictions	<u>1,781,544</u>	<u>(1,781,544)</u>		
Total Support and Revenue	<u>4,837,544</u>	<u>1,270,008</u>	<u>343,210</u>	<u>6,450,762</u>
<b>EXPENSES</b>				
Scholarships	669,708			669,708
Special Programs	1,187,509			1,187,509
Management and General	502,229			502,229
Depreciation and Amortization	35,029			35,029
Interest	2,121,189			2,121,189
Fundraising Expense	25,288			25,288
Housing Expense	171,836			171,836
Total Expenses	<u>4,712,788</u>			<u>4,712,788</u>
Change In Net Assets Before Transfers and Losses	124,756	1,270,008	343,210	1,737,974
Transfers	(2,274)	(10,570)	12,844	
Loss on Extinguishment of Debt	<u>(952,625)</u>			<u>(952,625)</u>
Change in Net Assets	(830,143)	1,259,438	356,054	785,349
<b>NET ASSETS</b>				
Net Assets, Beginning	<u>1,521,865</u>	<u>10,343,572</u>	<u>6,920,664</u>	<u>18,786,101</u>
Net Assets, Ending	<u>\$ 691,722</u>	<u>\$ 11,603,010</u>	<u>\$ 7,276,718</u>	<u>\$ 19,571,450</u>

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



# NOTES TO THE FINANCIAL STATEMENTS



## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. **Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Winston-Salem State University (University) is a constituent institution of the multi-campus University of North Carolina System, which 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 belonging to the University and its component unit. While the Board of Governors of the University of North Carolina System has ultimate responsibility, the Chancellor, the Board of Trustees, and the Board of Trustees of the Endowment Fund have delegated responsibilities for financial accountability of the University's funds. The University's component unit is discretely presented in the University's financial statements.

**Discretely Presented Component Unit** - The Winston-Salem State University Foundation, Inc. and Subsidiary (Foundation) is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the University. The Winston-Salem State University Housing Foundation, LLC, is the wholly owned subsidiary of the Foundation.

The Foundation is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation board consists of not less than five and not more than 27 elected directors, with the number at any given time being set by the Board of Directors. In addition to the elected directors, the Chancellor and Vice Chancellor for University Advancement of Winston-Salem State University shall be voting members of the Board. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private nonprofit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation

features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

During the year ended June 30, 2015, the Foundation distributed \$736,676 to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Winston-Salem State University Foundation, Inc. and Subsidiary, 304 Blair Hall, 601 Martin Luther King, Jr. Drive, Winston-Salem, NC 27110, or by calling (336) 750-3005.

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

- D. Cash and Cash Equivalents** - This classification includes 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** - Investments generally are reported at fair value, as determined by quoted market prices or estimated amounts determined by management if quoted market prices are not available. The fair value for investments in the UNC Investment Fund was based on amounts reported to the University by UNC Management Company, Inc. University management reviews and evaluates the values provided by UNC Management Company, Inc. as well as the valuation methods and assumptions used in determining the fair value of such investments.

Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase in the fair value of investments is recognized as a component of investment income.

Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts.

- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** – Inventories of fuel oil held for consumption are valued at cost using the last invoice cost method. Inventories of postage are valued at the retail cost.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The University 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 except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater.

Depreciation and amortization are 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	15-100 years
Machinery & Equipment	5-20 years
General Infrastructure	10-50 years
Computer Software	4-5 years

The Diggs Gallery collection is capitalized at cost or 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 legally segregated for the payment of principal and interest as required by debt covenants, unspent debt proceeds, and endowment and other restricted investments.
- J. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of revenue bonds payable, net pension liability, notes payable, capital lease obligations, and compensated absences that will not be paid within the next fiscal year.

Revenue bonds payable are reported net of unamortized premiums. The University amortizes bond premiums over the life of the bonds using the straight-line method. Deferred charges on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method, and are included as Deferred Outflows or Deferred Inflows of Resources on the Statement of Net Position. Issuance costs are expensed.

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

- K. **Compensated Absences** - The University'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 University has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

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

**Net Investment in Capital Assets** - This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of Net Investment in Capital Assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

**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 University 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, royalties, 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 University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first. Both restricted and unrestricted net position include consideration of deferred outflows and inflows of resources.

**M. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from University 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 University 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 University has recorded a scholarship discount.

- N. Revenue and Expense Recognition** - The University 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 University'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, (3) certain federal, state, and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans. 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 University, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

- A. Deposits** - Unless specifically exempt, the University is required by *North Carolina General Statute 147-77* to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. However, the University of North Carolina Board of Governors, pursuant to G.S. 116-36.1, may authorize the University to deposit its institutional trust funds in interest-bearing accounts and other investments authorized by the Board of Governors, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. Although specifically exempted, the University may voluntarily deposit



institutional trust funds, endowment funds, special funds, revenue bond proceeds, debt service funds, and funds received for services rendered by health care professionals with the State Treasurer. Special funds consist of moneys for intercollegiate athletics and agency funds held directly by the University.

At June 30, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$36,556,045.38 which represents the University's equity position in the State Treasurer's STIF. The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2015. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

## B. Investments

**University** - The University is authorized by The University of North Carolina Board of Governors pursuant to G.S. 116-36.2 and Section 600.2.4 of the Policy Manual of the University of North Carolina to invest its special funds in the same manner as the State Treasurer is required to invest, as discussed below.

G.S. 147-69.1(c), applicable to the State's General Fund, and G.S. 147-69.2, applicable to institutional trust funds, authorize the State Treasurer to invest in the following: 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 with specified ratings, specified 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.

In accordance with the bond resolutions, bond proceeds and debt service funds are invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

G.S. 116-36(e) provides that the trustees of the Endowment Fund shall be responsible for the prudent investment of the Fund in the exercise of their sound discretion, without regard to any statute or rule of law relating

to the investment of funds by fiduciaries but in compliance with any lawful condition placed by the donor upon that part of the Endowment Fund to be invested.

Investments of various funds may be pooled unless prohibited by statute or by terms of the gift or contract. The University utilizes investment pools to manage investments and distribute investment income.

Investments are subject to the following risks.

*Interest Rate Risk:* Interest rate risk is the risk the University may face should interest rate variances affect the fair value of investments. The University does not have a formal policy that addresses interest rate risk.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy that addresses credit risk.

**UNC Investment Fund, LLC** - At June 30, 2015, the University's investments include \$27,153,969.56 which represents the University's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Asset and ownership interests of the UNC Investment Fund are determined on a market unit valuation basis each month. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

**Non-Pooled Investments** - The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2015, for the University's non-pooled investments.

***Non-Pooled Investments***

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1
Debt Securities		
Money Market Mutual Funds	<u>\$ 323,188.56</u>	<u>\$ 323,188.56</u>

At June 30, 2015, the Money Market Mutual Funds, with a fair value of \$323,188.56 were rated AAAM by Standard and Poor's.



**Total Investments** - The following table presents the fair value of the total investments at June 30, 2015:

Investment Type	Fair Value
Debt Securities	
Money Market Mutual Funds	\$ 323,188.56
Other Securities	
UNC Investment Fund	27,153,969.56
<b>Total Investments</b>	<b>\$ 27,477,158.12</b>

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

Investment Type	Fair Value
UNC Investment Fund	\$ 10,065,240
Stocks, Including Exchange-Traded Funds	117,340
Mutual Funds	2,453,103
Money Market Funds	215,721
<b>Total Investment Securities</b>	<b>\$ 12,851,404</b>

**C. Reconciliation of Deposits and Investments** - A reconciliation of deposits and investments for the University as of June 30, 2015, is as follows:

Deposits in the Short-Term Investment Fund	\$ 36,556,045.38
External Investment Pool	27,153,969.56
Non-Pooled Investments	<u>323,188.56</u>
<b>Total Deposits and Investments</b>	<u><u>\$ 64,033,203.50</u></u>
Deposits	
Current:	
Cash and Cash Equivalents	\$ 7,948,467.76
Restricted Cash and Cash Equivalents	5,822,150.90
Noncurrent:	
Restricted Cash and Cash Equivalents	<u>22,785,426.72</u>
<b>Total Deposits</b>	<u><u>36,556,045.38</u></u>
Investments	
Current:	
Restricted Short-Term Investments	7,153.08
Noncurrent:	
Endowment Investments	27,153,969.56
Restricted Investments	<u>316,035.48</u>
<b>Total Investments</b>	<u><u>27,477,158.12</u></u>
<b>Total Deposits and Investments</b>	<u><u>\$ 64,033,203.50</u></u>

**NOTE 3 - ENDOWMENT INVESTMENTS**

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

Investment return of the University's endowment funds is predicated on the total return concept (yield plus appreciation). The total spending rate is calculated annually by taking the sum of the market value of the endowment investments for the preceding twelve quarters, and dividing the result by twelve. For the fiscal year ended June 30, 2015, the Board of Trustees approved spending from the average value at a rate of five percent, paid out proportionately on a quarterly basis. To the extent that the total return for the

current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the University uses accumulated income and appreciation from restricted, expendable net position endowment balances to make up the difference. At June 30, 2015, endowment net appreciation of \$8,798,279.60 was available to be spent, all of which was classified in net position as restricted expendable for scholarships and fellowships, professorships, and departmental uses as it is restricted for specific purposes.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2015, were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
<b>Current Receivables:</b>			
Students	\$ 3,018,949.06	\$ 1,350,672.12	\$ 1,668,276.94
Accounts	148,996.39		148,996.39
Intergovernmental	1,341,586.33		1,341,586.33
Investment Earnings	15,089.14		15,089.14
Interest on Loans	248,242.69		248,242.69
Other	<u>82,892.52</u>		<u>82,892.52</u>
<b>Total Current Receivables</b>	<u>\$ 4,855,756.13</u>	<u>\$ 1,350,672.12</u>	<u>\$ 3,505,084.01</u>
<b>Notes Receivable:</b>			
<b>Notes Receivable - Current:</b>			
Federal Loan Programs	\$ 57,097.38	\$ 31,847.14	\$ 25,250.24
Institutional Student Loan Programs	<u>5,328.04</u>	<u>843.11</u>	<u>4,484.93</u>
<b>Total Notes Receivable - Current</b>	<u>\$ 62,425.42</u>	<u>\$ 32,690.25</u>	<u>\$ 29,735.17</u>
<b>Notes Receivable - Noncurrent:</b>			
Federal Loan Programs	\$ 975,302.53	\$ 546,198.93	\$ 429,103.60
Institutional Student Loan Programs	<u>116,857.28</u>	<u>38,453.24</u>	<u>78,404.04</u>
<b>Total Notes Receivable - Noncurrent</b>	<u>\$ 1,092,159.81</u>	<u>\$ 584,652.17</u>	<u>\$ 507,507.64</u>

**NOTE 5 - CAPITAL ASSETS**

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

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets, Nondepreciable:				
Land	\$ 5,231,051.56	\$ 0.00	\$ 0.00	\$ 5,231,051.56
Art, Literature, and Artifacts	953,772.00			953,772.00
Construction in Progress	<u>12,700,576.07</u>	<u>5,689,613.82</u>	<u>1,184,535.51</u>	<u>17,205,654.38</u>
<b>Total Capital Assets, Nondepreciable</b>	<u>18,885,399.63</u>	<u>5,689,613.82</u>	<u>1,184,535.51</u>	<u>23,390,477.94</u>
Capital Assets, Depreciable:				
Buildings	221,706,906.73	1,184,535.51		222,891,442.24
Machinery and Equipment	17,348,544.57	1,434,962.36	706,848.29	18,076,658.64
General Infrastructure	13,320,778.61			13,320,778.61
Computer Software	<u>392,958.38</u>			<u>392,958.38</u>
<b>Total Capital Assets, Depreciable</b>	<u>252,769,188.29</u>	<u>2,619,497.87</u>	<u>706,848.29</u>	<u>254,681,837.87</u>
Less Accumulated Depreciation/Amortization for:				
Buildings	65,469,115.06	5,683,482.81		71,152,597.87
Machinery and Equipment	10,901,515.49	1,070,821.55	674,831.50	11,297,505.54
General Infrastructure	5,022,409.14	531,190.51		5,553,599.65
Computer Software	<u>267,439.56</u>	<u>83,679.23</u>		<u>351,118.79</u>
<b>Total Accumulated Depreciation/Amortization</b>	<u>81,660,479.25</u>	<u>7,369,174.10</u>	<u>674,831.50</u>	<u>88,354,821.85</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>171,108,709.04</u>	<u>(4,749,676.23)</u>	<u>32,016.79</u>	<u>166,321,016.02</u>
<b>Capital Assets, Net</b>	<u>\$ 189,994,108.67</u>	<u>\$ 939,937.59</u>	<u>\$ 1,216,552.30</u>	<u>\$ 189,717,493.96</u>

During the year ended June 30, 2015, the University incurred \$4,710,446.22 in interest costs related to the acquisition and construction of capital assets. Of this total, \$4,021,468.01 was charged in interest expense, and \$688,978.21 was capitalized.

Winston-Salem State University has pledged the energy savings improvements installed in its buildings and other structures financed through the UNC System Guaranteed Energy Savings Installment Financing Agreement (agreement) dated September 1, 2014. The value of the energy savings improvement assets associated with the agreement is \$361,037.86 and is subject to security provisions in the agreement to ensure timely debt service payments. The value of the energy savings improvement assets includes \$50,411.33 which has been completed as of June 30, 2015, and \$310,626.53 which is remaining to be completed by the ESCO provider. Additional information regarding the UNC System Energy Savings Installment Financing Agreement can be found in Note 7.

**NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	Amount
<b>Current Accounts Payable and Accrued Liabilities</b>	
Accounts Payable	\$ 725,927.14
Accrued Payroll	251,365.62
Contract Retainage	72,713.51
Other	<u>33,471.45</u>
<b>Total Current Accounts Payable and Accrued Liabilities</b>	<u>\$ 1,083,477.72</u>

**NOTE 7 - LONG-TERM LIABILITIES**

**UNIVERSITY**

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

	Balance July 1, 2014 (As Restated)	Additions	Reductions	Balance June 30, 2015	Current Portion
Revenue Bonds Payable	\$ 41,780,000.00	\$ 0.00	\$ 1,815,000.00	\$ 39,965,000.00	\$ 1,890,000.00
Plus: Unamortized Premium	<u>700,462.42</u>		<u>24,795.13</u>	<u>675,667.29</u>	
<b>Total Revenue Bonds Payable</b>	<u>42,480,462.42</u>	<u>0.00</u>	<u>1,839,795.13</u>	<u>40,640,667.29</u>	<u>1,890,000.00</u>
Net Pension Liability	14,746,505.00		11,854,494.00	2,892,011.00	
Notes Payable	6,306,268.83	370,679.00	259,493.44	6,417,454.39	295,107.14
Capital Leases Payable	48,065,000.00		2,510,000.00	45,555,000.00	1,475,000.00
Compensated Absences	<u>4,767,668.00</u>	<u>3,996,818.00</u>	<u>3,773,740.00</u>	<u>4,990,746.00</u>	<u>1,090,940.00</u>
<b>Total Long-Term Liabilities</b>	<u>\$ 116,365,904.25</u>	<u>\$ 4,367,497.00</u>	<u>\$ 20,237,522.57</u>	<u>\$ 100,495,878.68</u>	<u>\$ 4,751,047.14</u>

Additional information regarding capital lease obligations is included in Note 8.  
Additional information regarding the net pension liability is included in Note 11.

**B. Revenue Bonds Payable** - The University was indebted for revenue bonds payable for the purposes shown in the following table:

Purpose	Series	Interest Rate Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2015	Principal Outstanding June 30, 2015
<b>Housing and Dining System</b>						
UNC System Pool Revenue Bonds	2008A	3.00%-5.00%	10/01/2033	\$ 4,591,004.21	\$ 684,100.43	\$ 3,906,903.78
2013 General Revenue Bonds	2013	2.00%-5.125%	04/01/2043	18,269,190.00	1,564,516.00	16,704,674.00
Total Housing and Dining System				22,860,194.21	2,248,616.43	20,611,577.78
<b>Student Services System</b>						
UNC System Pool Revenue Bonds	2008A	3.00%-5.00%	10/01/2033	2,723,995.79	405,899.57	2,318,096.22
2013 General Revenue Bonds	2013	2.00%-5.125%	04/01/2043	11,686,230.00	1,000,772.00	10,685,458.00
Total Student Services System				14,410,225.79	1,406,671.57	13,003,554.22
<b>Parking System</b>						
2013 General Revenue Bonds	2013	2.00%-5.125%	04/01/2043	6,944,580.00	594,712.00	6,349,868.00
Total Revenue Bonds Payable (principal only)				\$ 44,215,000.00	\$ 4,250,000.00	39,965,000.00
Plus: Unamortized Premium						675,667.29
Total Revenue Bonds Payable						\$ 40,640,667.29

**C. Annual Requirements** - The annual requirements to pay principal and interest on the long-term obligations at June 30, 2015, are as follows:

Fiscal Year	Annual Requirements			
	Revenue Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2016	\$ 1,890,000.00	\$ 1,917,400.00	\$ 295,107.14	\$ 228,123.35
2017	1,960,000.00	1,839,575.00	338,023.49	221,730.29
2018	1,010,000.00	1,758,650.00	413,818.73	209,062.36
2019	1,055,000.00	1,715,700.00	461,036.19	193,343.21
2020	1,110,000.00	1,663,850.00	491,135.32	176,374.20
2021-2025	6,480,000.00	7,538,921.92	2,881,212.44	585,007.69
2026-2030	8,540,000.00	5,815,934.41	1,537,121.08	74,604.48
2031-2035	10,460,000.00	3,457,800.00		
2036-2040	4,900,000.00	1,313,281.28		
2041-2044	2,560,000.00	266,756.26		
Total Requirements	\$ 39,965,000.00	\$ 27,287,868.87	\$ 6,417,454.39	\$ 1,688,245.58

Interest on the variable rate debt is predetermined in each of the bond covenants.

**D. Notes Payable** - The University was indebted for notes payable for the purposes shown in the following table:

<u>Purpose</u>	<u>Financial Institution</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Original Amount of Issue</u>	<u>Principal Paid Through June 30, 2015</u>	<u>Principal Outstanding June 30, 2015</u>
Energy Performance Contract	Siemens Public, Inc.	3.81%	09/30/2027	\$ 6,517,358.00	\$ 470,582.61	\$ 6,046,775.39
UNC System Guaranteed Energy Savings Project	Banc of America Public Capital Corp.	1.84%	02/14/2023	370,679.00		370,679.00
<b>Total Notes Payable</b>				<u>\$ 6,888,037.00</u>	<u>\$ 470,582.61</u>	<u>\$ 6,417,454.39</u>

On September 15, 2011, the University entered into an installment financing contract with Siemens Public, Inc. for \$6,517,258.00 resulting in a Guaranteed Energy Savings Note Payable with an interest rate of 3.81% per annum fixed, maturing on September 30, 2027. The University shall pay the purchase price plus interest to Siemens Public, Inc. in quarterly installments consisting solely of interest commencing on September 15, 2012, and then in quarterly installments consisting of principal and interest commencing on September 30, 2013.

On September 16, 2014, the University entered into an installment financing contract with Banc of America Public Capital Corp for \$370,679.00 resulting in a Guaranteed Energy Savings Note Payable with an interest rate of 1.84% per annum fixed, maturing on February 14, 2023. The University shall pay the purchase price plus interest to Banc of America Public Capital Corp. in quarterly installments consisting of principal and interest commencing on May 7, 2016.

**COMPONENT UNIT**

**Bonds Payable** – Three student housing facilities have been financed through the issuance of bonds.

In September 2004, \$35,900,000 of Series 2004 bonds were issued. The proceeds of this issuance were used to retire the Series 2001 bonds, and to finance the construction of Gleason-Hairston Terrace. These bonds mature at various intervals through 2036, and bear interest at fixed rates ranging from 3% to 5%. These bonds were refunded on August 12, 2014, and Series 2014 bonds were issued.

In October 2006, \$18,835,000 of Series 2006 bonds were issued. The proceeds of this issuance were used to finance the construction of Foundation Heights. These bonds mature at various intervals through 2036 and bear interest at fixed rates ranging from 3% to 5%.

On August 12, 2014, the Foundation issued \$27,990,000 in Series 2014 Student Housing Project Limited Obligation refunding bonds with interest rates ranging from 2% to 5%. These bonds mature at various intervals through 2036. The bonds were issued for a current refunding of \$29,075,000 of outstanding Series 2004 Winston-Salem State University

Housing Project Certificates of Participation with an average interest rate of 4.8%. The refunding was undertaken to reduce total debt service payments by \$2,787,745 over the next 22 years and resulted in an economic gain of \$1,579,809. The original purpose of this debt was to construct two student residence halls for which the University leases (capital) from the Foundation.

As a result of the Series 2014 refunding, the Foundation incurred a loss on extinguishment of debt of \$952,625 for the year ended June 30, 2015. The loss was incurred due to the write off of the remaining unamortized bond discount of \$148,919 and bond issuance costs of \$803,706 associated with the Series 2004 bonds.

Bonds payable are as follows at June 30, 2015:

	<u>Amount</u>
Series 2006 Bonds	\$ 15,835,000
Series 2014 Bonds	<u>27,140,000</u>
Gross Bonds Payable	42,975,000
Unamortized Bond Premium	<u>1,289,172</u>
<b>Total Requirements</b>	<b><u>\$ 44,264,172</u></b>

Scheduled maturities of the bonds are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 1,365,000
2017	1,420,000
2018	1,470,000
2019	1,525,000
2020	1,590,000
Thereafter	<u>35,605,000</u>
<b>Total Requirements</b>	<b><u>\$ 42,975,000</u></b>

Unamortized bond premium (discount) is amortized over the lives of the related bond issues using the interest method. Amortization of the bond premium (discount) amounted to \$8,755 for the year ended June 30, 2015.



**NOTE 8 - LEASE OBLIGATIONS**

**A. Capital Lease Obligations** - Capital lease obligations relating to University student housing and athletic facilities are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2015:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 3,506,510.50
2017	3,516,594.50
2018	3,510,538.00
2019	3,512,291.00
2020	3,515,038.00
2021-2025	17,539,924.78
2026-2030	17,542,040.04
2031-2035	15,473,797.50
2036	<u>2,140,856.26</u>
Total Minimum Lease Payments	70,257,590.58
Amount Representing Interest (2.00%-5.00% Rate of Interest)	<u>24,702,590.58</u>
Present Value of Future Lease Payments	<u>\$ 45,555,000.00</u>

Buildings acquired under capital lease amounted to \$58,035,000 at June 30, 2015. Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled \$17,695,693.25 at June 30, 2015.

**B. Operating Lease Obligations** - The University entered into operating leases for athletic fields, office space, and parking. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2015:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 98,672.58
2017	30,619.37
2018	26,341.02
2019	26,556.96
2020	23,588.88
2021-2025	41,758.81
2026-2030	48,409.88
2031-2035	56,120.35
2036-2040	<u>51,266.73</u>
Total Minimum Lease Payments	<u>\$ 403,334.58</u>

Rental expense for all operating leases during the year was \$1,297,970.38.

**NOTE 9 - REVENUES**

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 32,161,644.57	\$ 0.00	\$ 9,348,570.67	\$ 331,387.55	\$ 22,481,686.35
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Residential Life	\$ 13,110,459.87	\$ 0.00	\$ 4,594,319.20	\$ 214,863.61	\$ 8,301,277.06
Dining	5,401,395.48		1,737,828.77	89,393.15	3,574,173.56
Student Union Services	1,798,204.46			22,899.16	1,775,305.30
Health, Physical Education, and Recreation Services	117,778.68				117,778.68
Parking	1,003,769.49			4,071.94	999,697.55
Athletic	342,250.65				342,250.65
Telecommunications	1,283,176.83	1,283,176.83			
Print Shop	62,415.13	25,817.69			36,597.44
Transport Services	259,186.97	228,343.22			30,843.75
Other	591,934.67	675.00			591,259.67
Total Sales and Services	\$ 23,970,572.23	\$ 1,538,012.74	\$ 6,332,147.97	\$ 331,227.86	\$ 15,769,183.66

**NOTE 10 - OPERATING EXPENSES BY FUNCTION**

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$ 43,233,070.00	\$ 592,972.49	\$ 3,839,236.71	\$ 511,968.76	\$ 0.00	\$ 0.00	\$ 48,177,247.96
Research	256,443.13	77,686.01	134,769.67	20,589.00			489,487.81
Public Service	442,041.28	179,029.57	186,851.78				807,922.63
Academic Support	5,596,716.26	2,123,755.56	711,102.27	164,411.16			8,595,985.25
Student Services	3,908,079.65	113,389.86	567,895.90	18,143.82			4,607,509.23
Institutional Support	10,594,249.65	370,189.21	5,180,020.31				16,144,459.17
Operations and Maintenance of Plant	7,952,244.03	253,464.26	2,024,370.24		1,757,444.70		11,987,523.23
Student Financial Aid	529,011.65	439.50	99,053.72	10,888,449.24			11,516,954.11
Auxiliary Enterprises	7,853,998.28	1,898,831.53	11,154,515.61	1,374,901.47	1,158,441.02		23,440,687.91
Depreciation/ Amortization						7,369,174.10	7,369,174.10
Total Operating Expenses	\$ 80,365,853.93	\$ 5,609,757.99	\$ 23,897,816.21	\$ 12,978,463.45	\$ 2,915,885.72	\$ 7,369,174.10	\$ 133,136,951.40

**NOTE 11 - PENSION PLANS**

**A. Defined Benefit Plan**

*Plan Administration:* The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan

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

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

*Contributions:* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The University's contractually-required contribution rate for the year ended June 30, 2015 was 9.15% of covered payroll. The University's contributions to the pension plan were \$3,293,306.65, and employee contributions were \$2,159,545.35 for the year ended June 30, 2015.

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2014 *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

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

*Net Pension Liability:* At June 30, 2015, the University reported a liability of \$2,892,011 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The University's proportion of the net pension liability was based on the present value of future salaries for the University relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the University's proportion was 0.24667%, which was an increase of 0.00377% from its proportion measured as of June 30, 2013.

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

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

\* Salary increases include 3.5% inflation and productivity factor.

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

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and

health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

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

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

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

*Discount Rate:* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be

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

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

Net Pension Liability (Asset)		
<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
\$ 20,760,860	\$ 2,892,011	\$ (12,195,629)

*Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions:* For the year ended June 30, 2015, the University recognized pension expense of \$1,346,396. At June 30, 2015, the University 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:**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Actual and Expected Experience	\$ 0	\$ 674,112
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		9,771,048
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	411,092	
Contributions Subsequent to the Measurement Date	<u>3,293,307</u>	
Total	<u>\$ 3,704,399</u>	<u>\$ 10,445,160</u>

The amount of \$3,293,307 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension

liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	<u>Amount</u>
2016	\$ (2,512,161)
2017	(2,512,161)
2018	(2,512,161)
2019	<u>(2,497,585)</u>
Total	<u>\$ (10,034,068)</u>

**B. Defined Contribution Plan** - The Optional Retirement Program (Program) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators and eligible faculty of the University may join the Program instead of the TSERS. The Board of Governors of The University of North Carolina is responsible for the administration of the Program and designates the companies authorized to offer investment products or the trustee responsible for the investment of contributions under the Program and approves the form and contents of the contracts and trust agreements.

Participants in the Program are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in the Program. Participants become eligible to receive distributions when they terminate employment or retire.

Participant eligibility and contributory requirements are established by General Statute 135-5.1. Employer and member contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2015, these rates were set at 6.84% of covered payroll for employers and 6% of covered payroll for members. The University assumes no liability other than its contribution.

For the current fiscal year, the University had a total payroll of \$63,861,775.17, of which \$20,104,716.41 was covered under the Optional Retirement Program. Total employer and employee contributions for pension benefits for the year were \$1,375,162.60 and \$1,206,282.98, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions. A total of \$125,901.47 in forfeitures was reflected in pension expense for fiscal year 2015.



## NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Benefits** - The University 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) or the Optional Retirement Program (ORP). Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Plan's benefit and contribution provisions are established by Chapter 135, Article 3B, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of TSERS and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are established by the General Assembly.

For the current fiscal year the University contributed 5.49% of the covered payroll under TSERS and ORP to the Fund. Required contribution rates for the years ended June 30, 2014, and 2013, were 5.40% and 5.30%, respectively. The University made 100% of its annual required contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, which were \$3,079,732.92, \$3,121,030.81, and \$3,104,043.14, respectively. The University assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- B. Disability Income** - The University 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 and ORP. Benefit and



contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2015, the University made a statutory contribution of .41% of covered payroll under TSERS and ORP to the DIPNC. Required contribution rates for the years ended June 30, 2014, and 2013, was .44% in both years. The University made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2015, 2014, and 2013, which were \$229,998.27, \$254,306.21, and \$257,694.15, respectively. The University assumes no liability for long-term disability benefits under the Plan other than its contribution.

Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

#### **NOTE 13 - RISK MANAGEMENT**

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

##### **A. Employee Benefit Plans**

###### **1. State Health Plan**

University 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 has contracted with third parties to process claims.

###### **2. Death Benefit Plan of North Carolina**

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

**B. Other Risk Management and Insurance Activities****1. Automobile, Fire, and Other Property Losses**

The University is required to maintain fire and lightning coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Such coverage is provided at no cost to the University for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the coverage. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible. However, some agencies have chosen a higher deductible for a reduction in premium. The University also purchased through the Fund extended coverage against losses caused by windstorm or hail, explosion, smoke, aircraft or vehicles, and riot or civil commotion on certain buildings and contents. In addition, the University purchased "all risk" coverage through the Fund for a particular tower and various buildings.

All 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 University pays premiums to the North Carolina Department of Insurance for the coverage.

**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 University pays the premium, based on a composite rate, directly to the private insurer.

**3. Employee Dishonesty and Computer Fraud**

The University is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Universities are charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible.

**4. Statewide Workers' Compensation Program**

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the University's primary responsibility is to arrange for and

provide the necessary treatment for work related injury. The University is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The University retains the risk for workers' compensation.

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

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

- A. Commitments** - The University has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$1,083,319.02 and on other purchases were \$1,706,750.75 at June 30, 2015.
- B. Pending Litigation and Claims** - The University is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. University management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the University.

**NOTE 15 - NET POSITION RESTATEMENT**

As of July 1, 2014, net position as previously reported was restated as follows:

	Amount
July 1, 2014 Net Position as Previously Reported	\$ 146,373,696.49
Restatement:	
Record the University's Net Pension Liability and Pension Related Deferred Outflows of Resources Per GASB 68 Requirements.	(11,579,683.00)
<b>July 1, 2014 Net Position as Restated</b>	<b>\$ 134,794,013.49</b>



# **REQUIRED SUPPLEMENTARY INFORMATION**

**Winston-Salem State University**  
**Required Supplementary Information**  
**Schedule of the Proportionate Net Pension Liability**  
**Teachers' and State Employees' Retirement System**  
**Last Two Fiscal Years**

**Exhibit C-1**

	<u>2014</u>	<u>2013</u>
Proportionate Share Percentage of Collective Net Pension Liability	0.24667%	0.24290%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 2,892,011.00	\$ 14,746,505.00
Covered-Employee Payroll	\$ 36,471,278.37	\$ 36,534,751.72
Net Pension Liability as a Percentage of Covered-Employee Payroll	7.93%	40.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

**Winston-Salem State University**  
**Required Supplementary Information**  
**Schedule of University Contributions**  
**Teachers' and State Employees' Retirement System**  
**Last Ten Fiscal Years**

**Exhibit C-2**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually Required Contribution	\$ 3,293,306.65	\$ 3,169,354.09	\$ 3,043,344.82	\$ 2,665,555.35	\$ 1,729,323.28
Contributions in Relation to the					
Contractually Determined Contribution	<u>3,293,306.65</u>	<u>3,169,354.09</u>	<u>3,043,344.82</u>	<u>2,665,555.35</u>	<u>1,729,323.28</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 35,992,422.42	\$ 36,471,278.37	\$ 36,534,751.72	\$ 35,827,356.81	\$ 35,077,551.34
Contributions as a Percentage of Covered-Employee Payroll	9.15%	8.69%	8.33%	7.44%	4.93%

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually Required Contribution	\$ 1,228,010.43	\$ 1,199,279.42	\$ 999,146.69	\$ 769,354.90	\$ 581,475.67
Contributions in Relation to the					
Contractually Determined Contribution	<u>1,228,010.43</u>	<u>1,199,279.42</u>	<u>999,146.69</u>	<u>769,354.90</u>	<u>581,475.67</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 34,398,051.26	\$ 35,692,839.96	\$ 32,758,907.80	\$ 28,923,116.58	\$ 24,849,387.49
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

**Winston-Salem State University**  
**Notes to Required Supplementary Information**  
**Schedule of University Contributions**  
**Teachers' and State Employees' Retirement System**  
**For the Fiscal Year Ended June 30, 2015**

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Changes of Benefit Terms:

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

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



# INDEPENDENT AUDITOR'S REPORT



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



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

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

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Board of Trustees  
Winston-Salem State University  
Winston-Salem, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Winston-Salem State University, a constituent institution of the multi-campus University of North Carolina System, which is a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 7, 2015. Our report includes a reference to other auditors who audited the financial statements of the Winston-Salem State University Foundation, Inc. and Subsidiary, as described in our report on the University's financial statements. The financial statements of the Winston-Salem State University Foundation, Inc. and Subsidiary were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with this entity.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 University'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 University'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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

December 7, 2015

# ORDERING INFORMATION

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