College Financial Audits with Findings
FY 2015-2016

SBCC
09/15/2017

STATE BOARD OF COMMUNITY COLLEGES
FY 2015-16 College Financial Audit Findings Summary

The following is a summary of college audit findings noted in financial audits conducted for fiscal year 2015-16.

Asheville Buncombe Technical Community College
Audit conducted by: Cherry Bekaert LLP
Findings:

- Internal Control over Financial Reporting
    - College made restatements for a contribution of assets and over-accrual. Resulted in restatement of net position as of June 30, 2015.

Halifax Community College Foundation, Inc.
Audit conducted by: Office of The State Auditor
Findings:

- Deficient Cash Management practices resulted in unallowable use of restricted funds.
    - $13,269 was spent on administrative and other general expenses after all unrestricted cash balances had been exhausted.
    - $9,586 was awarded in scholarships in excess of available funds.

Piedmont Community College
Audit conducted by: Cherry Bekaert LLP
Findings:

- Significant deficiency in Internal Controls Over Financial Reporting Leading to Misstatements
    - Student accounts receivable and the allowance for doubtful accounts were understated by $86,977,
    - Grant revenue was overstated by $44,681 and an adjustment was required to reclassify unearned income of $44,681 to a deferred liability account,
    - Payments on long term debt were incorrectly expensed and adjusted through net position. An adjustment to correct the accounting for the College's payments on long-term debt resulted in a reduction of expenses and net position of $50,688.

Wilkes Community College
Audit conducted by: Anderson Smith & Wike, PLLC
Findings

- Significant deficiency and noncompliance
    - Two (2) financial aid applications did not agree to verification supporting documentation provided by the student.

AB Tech
Community College

FINANCIAL STATEMENT REPORT FOR THE YEAR ENDED JUNE 30, 2016

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ASHEVILLE BUNCOMBE TECHNICAL COMMUNITY COLLEGE
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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Trustees
Asheville-Buncombe Technical Community College
Asheville, North Carolina

We have audited the accompanying financial statements of Asheville-Buncombe Technical Community College (the "College"), a component unit of the State of North Carolina, and Asheville-Buncombe Technical Community College Foundation (the "Foundation"), a discretely presented component unit of the College, as of and for the year ended June 30, 2016, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College and the discretely presented component unit of the College as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the College made certain restatements for a contribution of assets and an over-accrual. As a result, net position as of June 30, 2015 has been restated. Our opinion is not modified with respect to the 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 the 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.

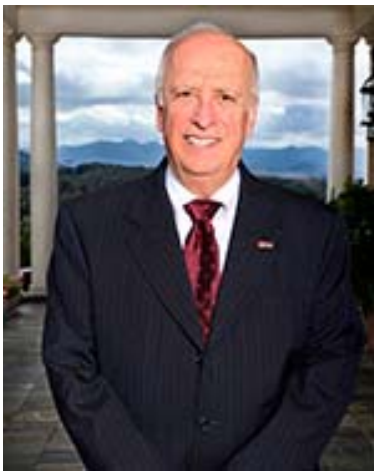
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Charlotte, North Carolina
June 2, 2017

A-B Tech Community College



VALUES

Tech's core beliefs guide behaviors, decisions and interactions toward accomplishing the mission and achieving the vision.

A-B Tech is dedicated to student and community success through:

- **Excellence**
- **Integrity**
- **Supportive Learning Environment**
- **Innovation**
- **Service and Engagement**

MANAGEMENT DISCUSSION AND ANALYSIS

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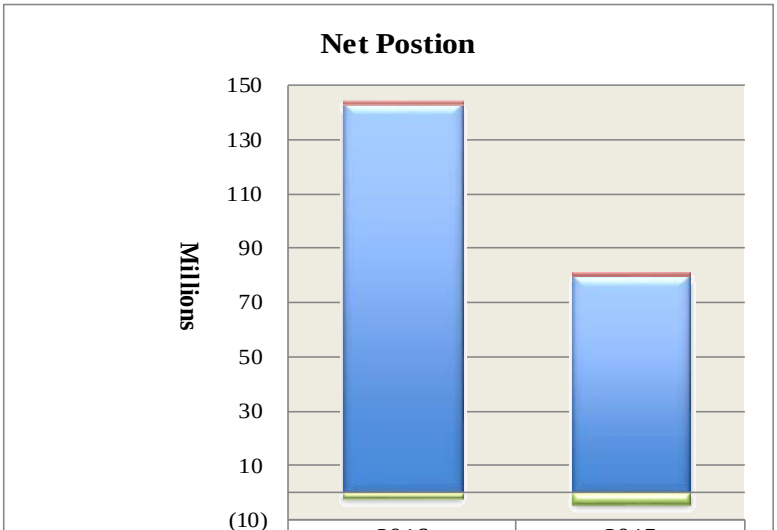
Our discussion and analysis of Asheville-Buncombe Technical Community College's financial performance provides an overview of the College's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the financial statements and the notes thereto, which follow this section.

FINANCIAL HIGHLIGHTS

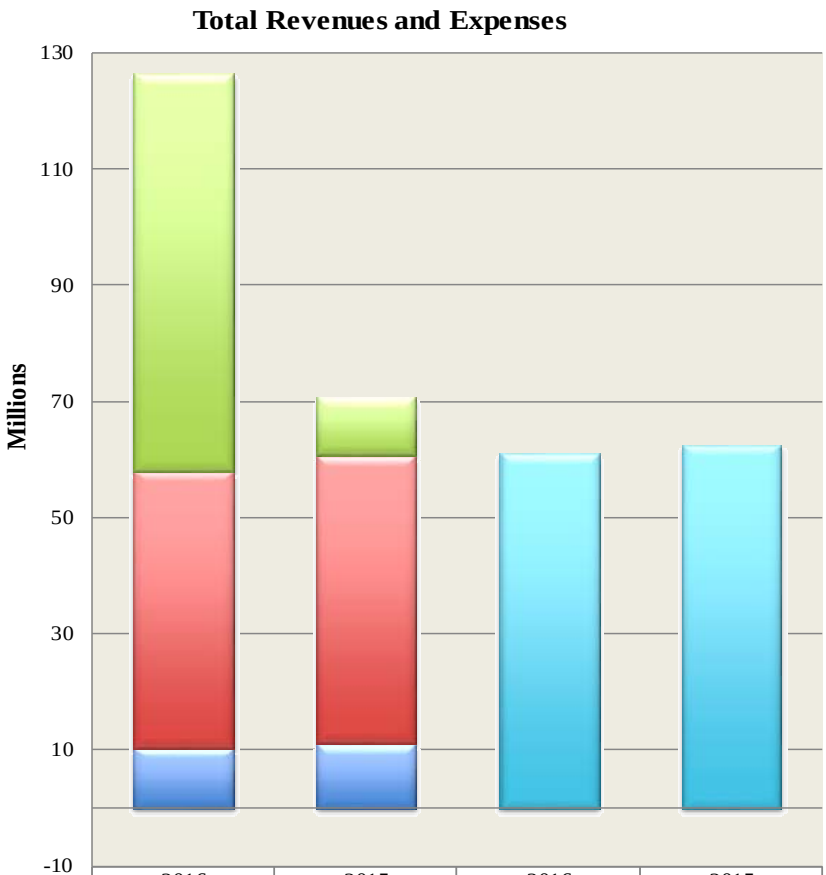
The College's net position, which consists of net investment in capital assets, restricted net position, and unrestricted net position increased by 84.68% from $77,299,969 at June 30, 2015 to $142,755,026 at June 30, 2016. The following chart shows the comparison by category for the fiscal years ended June 30, 2016 and June 30, 2015.



	2016	2015
Unrestricted Assets	(1,809,621)	(3,930,859)
Restricted Assets	852,620	1,098,869
Net Investment in Capital Assets	143,712,027	80,131,960
Net Position	142,755,026	77,299,970

The College's total revenues increased by $55,660,552 to $126,501,214 at June 30, 2016 from $70,840,662 at June 30, 2015, due to the recognition of capital contributions from the Buncombe County Sales Tax Projects.

Total expenses were $61,046,157 representing a 2.56% decrease compared to the previous fiscal year, due largely to the decrease in Salaries and Benefits expenses.



	2016	2015	2016	2015
	Total Revenues		Total Expenses	
Total Expenses			61,046,157	62,647,166
Capital Revenues	68,346,962	10,028,594		
Nonoperating Revenues	47,719,828	49,478,985		
Operating Revenues	10,434,424	11,333,083		
Total Revenues	126,501,214	70,840,662		

USING THE FINANCIAL STATEMENTS

The College's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statements 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 – Management's Discussion and Analysis – for Public College and Universities,* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* Accordingly, the College's financial statements are comprised of the following four components:

> Statement of Net Position: This statement includes all assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position. The College's net position is an indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the age and condition of its buildings. (Exhibit A-1)
>
> Statement of Revenues, Expenses and Changes in Net Position: This statement presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. This approach is intended to summarize and simplify the presentation of the College's services to the students and public. (Exhibit A-2)
>
> Statement of Cash Flows: This statement presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing and investing activities, and helps measure the ability of the College to meet financial obligations as they mature. (Exhibit A-3)
>
> Notes to the Financial Statements: The notes provide additional information that is essential for a complete understanding of the data provided in the statements.

The statements are prepared under the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The full scope of the College is considered to be a business-type activity and is reported in a single column on the statements.

OVERVIEW OF FINANCIAL STATEMENTS

Statement of Net Position

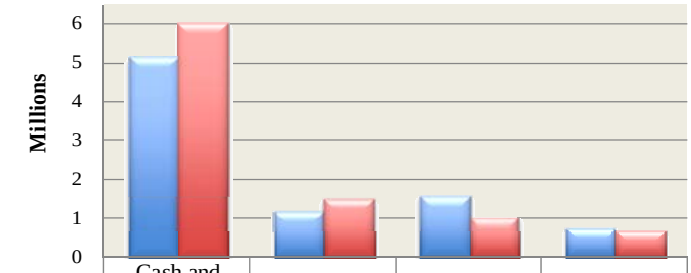
Below is a condensed comparative analysis between the Statement of Net Position (Exhibit A-1) contained herein and for the fiscal years ended June 30, 2016 and 2015, followed by a discussion on the changes in assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position.

Condensed Statements of Net Position
For the Year Ended June 30, 2016
With Comparative Data for the Year Ended June 30, 2015

	2016	2015 (Restated)	Change Amount	Change Percent
Assets				
Current	$ 8,719,791	$ 9,276,855	$ (557,064)	(6.00%)
Capital Assets, Net	143,864,738	80,325,732	63,539,006	79.10%
Other Noncurrent Assets	333,151	723,116	(389,965)	(53.93%)
Total Assets	152,917,680	90,325,703	62,591,977	69.30%
Deferred Outflows of Resources	2,529,938	2,327,537	202,401	8.70%
Liabilities				
Current	2,784,852	2,906,776	(121,924)	(4.19%)
Noncurrent	8,571,019	5,270,038	3,300,981	62.64%
Total Liabilities	11,355,871	8,176,814	3,179,057	38.88%
Deferred Inflows of Resources	1,336,721	7,176,458	(5,839,737)	(81.37%)
Net Position				
Invested in Capital Assets, Net of Related Debt	143,712,027	80,131,960	63,580,067	79.34%
Restricted	852,620	1,098,869	(246,249)	(22.41%)
Unrestricted	(1,809,621)	(3,930,860)	2,121,239	(53.96%)
TOTAL NET POSITION	**$ 142,755,026**	**$ 77,299,969**	**$ 65,455,057**	**84.68%**

Assets and Deferred Outflows of Resources

Current assets decreased by $557,067 or 6.00% due to the combination of following changes:



	Cash and Cash Equivalents	Receivables, Net	Inventories	Prepaid Items
2016	5,151,200	1,194,423	1,600,338	773,827
2015	6,024,544	1,513,427	1,039,933	698,951
Change	(873,344)	(319,004)	560,405	74,876

- Cash and cash equivalents decreased by $873,344 from the previous year. The major decrease is related to institutional funds. The primary change is a result of satisfaction of expenses released from restriction associated with grant funded projects as well as satisfaction of payable related to the Department of Education.

- Net receivables decreased by $319,004 principally due to a reduction in the amount of the College's settlement receivable.

- Inventory increased by $560,405 year over year primarily associated with the Bookstore and the addition of the new Health and Fitness Science program and the Occupational Therapy Assistant program. There was also an increase in classes offered in the Aviation program.

- Prepaid items increased by $74,876 compared to the previous year, which is attributable to membership and software subscriptions that were paid in FY2016, but the majority of the covered period are in FY 2017.

Net capital assets decreased 79.10% or $63,539,006 year over year. During the fiscal year, the chiller replacement projects that were started in fiscal year 2015 were completed and transferred from Construction in Progress to Infrastructure; roof repairs were made on the Birch building; and additional equipment was purchased for the Brewing & Distillation program. Three projects on the facilities master plan related to the Buncombe County 0.25% sales tax initiative were completed. Aged and fully depreciated equipment

were disposed. The composition of capital assets and changes thereof are detailed in Note 6.

Other noncurrent assets reflect a decrease of $389,965. The majority of this change consists of a reduction in agency funds held for County Capital Outlay.

Deferred outflows of resources are related to pensions, which represent the College's contribution subsequent to the measurement date and will be recognized as a reduction in net pension liability. As a result, the College recorded $2,529,938 in deferred outflows of resources for pensions based on the calculation of the Office of State Controller (the OSC). Please see Schedule of Employer Balance of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions in Note 12 for details.

Liabilities and Deferred Inflows of Resources

Current liabilities decreased $121,924 from the previous year primarily related to the satisfaction of goods and services associated with Duke Energy and Sisters of Mercy unearned grant revenue.

Noncurrent liabilities increased $3,300,981 year over year largely attributed to net pension liability. As mentioned previously, the College implemented GASB Statement No. 68, which requires the cost-sharing employer, the College, to report its proportionate share of pension liability. As a result, the College recorded a net pension liability of $6,020,139 as calculated by the OSC.

Deferred inflows of resources decreased $5,839,737 mainly related to pensions, as $915,370 will be recognized as pension expense in the next four fiscal years. Please refer to Note 12 for details.

Net Position

Net position is the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Overall net position increased by $65,455,057.

- Net investment in capital assets represents the College's total capital assets less accumulative depreciation and related debt. Net investment in capital assets increased by $63,580,067 due to the recognition of donated fixed assets from Buncombe County, asset deletions and changes in the capital lease obligation for printers.

- Restricted net position decreased by $246,249 attributed primarily to the satisfaction of grant-funded initiatives associated with the WNC Industrial Maintenance Academy and the Composite Materials Center of Excellence.

- Unrestricted net position increased by $2,121,239 primarily due to the reduction of operating expenses and the restatement of prior year intergovernmental payable of $793,958 (see Note 17).

Statement of Revenues and Expenses and Change in Net Position

Below is a condensed comparative analysis of the June 30, 2016 Statement of Revenues, Expenses, and Changes in Net Position (Exhibit A-2) contained herein and the year ended June 30, 2015, followed by discussion on changes in revenues and expenses.

Statements of Revenues and Expenses and Changes in Net Positon
For the Year Ended June 30, 2016 with Comparative Data for the Year Ended June 30, 2015

	2016	2015 (Restated)	Change Amount	Change Percent
Operating Revenues				
Student Tuition & Fees	$ 7,785,377	$ 8,308,637	$ (523,260)	(6.30%)
Sales and Services	2,649,047	2,998,994	(349,947)	(11.67%)
Other Revenues	-	25,452	(25,452)	(100.00%)
Total Operating Revenues	10,434,424	11,333,083	(898,659)	(7.93%)
Operating Expenses				
Salaries and Benefits	35,912,542	37,574,317	(1,661,775)	(4.42%)
Supplies & Materials	7,336,362	8,408,742	(1,072,380)	(12.75%)
Services	6,037,582	5,196,663	840,919	16.18%
Scholarships	6,444,269	6,641,170	(196,901)	(2.96%)
Utilities	1,651,119	1,605,127	45,992	2.87%
Depreciation Amortization	3,664,283	3,221,147	443,136	13.76%
Total Operating Expenses	61,046,157	62,647,166	(1,601,009)	(2.56%)
Nonoperating Revenues/(Expenses)				
Government Appropriations	33,264,407	35,019,026	(1,754,619)	(5.01%)
Grants & Gifts	14,772,879	14,386,966	385,913	2.68%
Investment Income	34,149	13,816	20,333	147.17%
Other Nonoperating Expenses	(351,607)	59,177	(410,784)	(694.16%)
Total Nonoperating Revenues, Net	47,719,828	49,478,985	(1,759,157)	(3.56%)
Capital Contributions				
Government Appropriations	2,604,810	3,346,912	(742,102)	(22.17%)
Grants & Gifts	65,742,152	6,681,682	59,060,470	883.92%
Total Capital Contributions	68,346,962	10,028,594	58,318,368	581.52%
INCREASE IN NET POSITION	**$ 65,455,057**	**$ 8,193,496**	**$ 57,261,561**	**698.87%**

Operating Revenues

Operating revenues are derived from activities that are necessary and essential to the mission of the College.

The Colleges overall operating revenues decreased by 7.93% year over year, which pertain to a decrease in net student tuition and fees related to a drop in Occupational Extension and Basic Skills enrollment as illustrated in the Full-Time Equivalency (FTE) graph on page 13. Further, the College closed the Early Education Center which attributed to a decline in Sales and Services Revenues.

Operating Expenses

Operating expenses are necessary and essential to the mission of the College; these include all expenses with the exception of expenses related to investing, capital and related financing and noncapital activities. Depreciation is recognized as an operating expense in accordance with General Accepted Accounting Principles.

- Salaries and Benefits declined by 4.42% or $1,661,775 due primarily to a reduction in employees and the recognition of pension expense related to Deferred Outflows of Resources and Deferred Inflows of Resources from FY2015 to FY2016.

- Supplies and Materials expenses reflect a 12.75% decrease which can by highly attributed to the College's savings by closing the A-B Tech Early Education Center.

- Services expense increased by $840,919. The College expended instruction in local industries during the year, thereby, increasing services. Additional factors are related to grant evaluation services associated with the National Science Foundation STEM grants.

- Scholarships declined by $196,901 or 2.96% year over year. This change can be attributed to the combination of scholarship discounts and ineligible applicants who did not meet the academic requirements.

- Utilities slightly increased by 2.87% as the College began operating the A-B Tech – Mission Health Conference Center and the Ferguson Center for Allied Health and Workforce Development.

- Depreciation increased by $72,461 as more capital assets have been purchased and placed in service.

Nonoperating Revenues

Nonoperating revenues include activities that have non-exchange characteristics; that is, the College received revenue without providing a good or service.

Total net nonoperating revenue decreased by $1,759,157. The largest impact on nonoperating revenue is attributed to decreased funding from County Appropriations by $1,152,001 and State Aid of $602,618, netting an overall decrease of $1,754,619 in government appropriations. Gifts and grants realized an increase of $385,914. Other nonoperating expenses totaling $410,784 relate to auxiliaries, interest on capital leases and the disposal of capital assets. Changes in legislation and budget availability contributed to the decline in government appropriations.

Capital Contributions

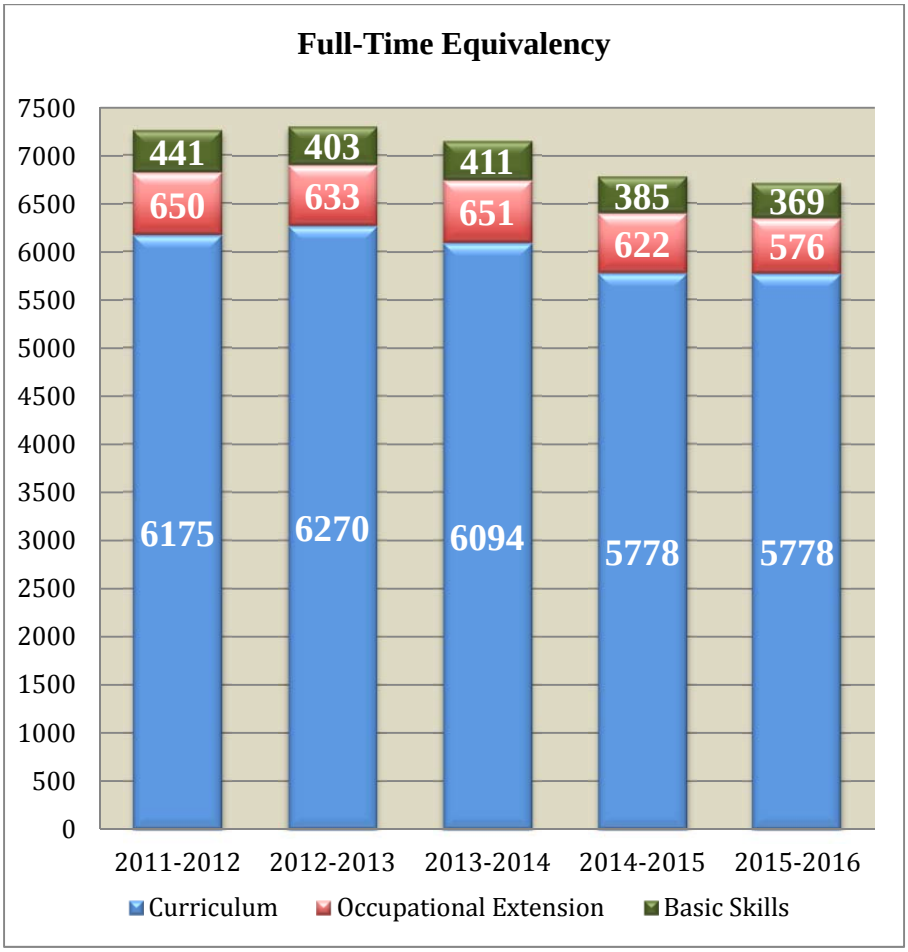
Capital contributions consist of state, and county appropriations as well as grants and gifts for equipment, construction, building improvements, and infrastructure.

Capital revenue increased overall by $58,318,368. County and State appropriations for capital contributions were reduced by $717,703 and $24,399 respectively with a net decrease of $742,102. The College recorded gifts of capital assets totaling $65,542,610. Completed Sales Tax Projects recognized as capital gifts from Buncombe County were the Parking Garage, Mission Health/A-B Tech Conference Center and the Ferguson Center for Allied Health and Workforce Development Building.

THE COLLEGE'S FINANCIAL POSITION

The ability of the College to fulfill its mission and execute its strategic plan is directly influenced by state, federal, and county support. Enrollment levels and financial aid available to students are also key variables. These issues impact budget planning processes each year.

State support is the College's primary funding source. To ensure the fiscal stability of community colleges, State support is based on the higher of total budgetary full-time equivalency (FTE) enrollment of the year preceding the budget year or the average of the two preceding years' FTE. The chart below illustrates the College's budget FTE for the past five years.



As the chart shows, the budget FTE increased by comparing to the previous year. This directly impacts the State funding. To maintain its fiscal stability without capping enrollment, the College is continuing to expand its offering of night, weekend and "mini semester" classes and restructure facilities usage. The College reviews existing programs for continuing viability and reviews new program proposals on a regular basis.

The State of North Carolina continues to struggle through the economic downfall. However, the General Assembly recognized the importance of community colleges' training and retraining dislocated workers by fully funding the institutions. In spite of this recognition and in an effort to balance the State's 2016-17 budget, the General Assembly ratified an immediate budget reduction for community colleges. In accordance with state legislation, the College has reverted $1,341,002 or approximately 3.24% of its 2016-17 State funded operating budget. The 2016-17 reversion is less than the prior year by $298,627.

Appropriations from Buncombe and Madison Counties are primarily for plant operations, maintenance and capital asset repairs and renovations. For the budget year 2016-17, both Buncombe and Madison County's appropriation remains the same level as previous year; however, the College is still carrying a decrease in Buncombe County's funding of $2,000,000 first seen in the 2012-13 appropriation because county appropriations do not revert, the College has the funds to cover the reduction.

The College is also seeking alternative entrepreneurial revenue sources and other options that allow the College to generate non-state, non-county revenues. Examples of options implemented include offering select summer classes as self-supporting so that the College retains the revenue and increasing the number of high cost programs charging consumable supply fees.

THE COLLEGE'S FINANCIAL FUTURE

What can the College expect in the future?

Historically, a recovering economy results in a downward shift in enrollment as individuals are finding employment. As the economy continues to recover, the College will experience FTE stability after a period of decline. Typically, as curriculum FTE falls, the College will find growth in noncurriculum FTE as it picks up students who are training and retraining to enhance employment opportunities. As the economy continues its return to normal, companies will expand and/or relocate to the College's service area. This results in the College providing training for new and expanding industries, as well as develop partnerships with these industries that will enhance educational opportunities and economic growth.

It is widely known and publicized that the road to economy recovery runs through North Carolina's community colleges. The Asheville-Buncombe Technical Community College is confident in its financial stability and ability to attract citizens to higher education. The College's Board of Trustees and Administration are dedicated in its efforts toward program assessment; cost containment; continuous improvement; expansion of curriculum, occupational training, and continuing education; and increased distance learning opportunities. These efforts are geared toward assessing the College's performance related to goals and freeing up resources to support change. The College's ongoing strategic planning initiative and efforts to identify resource reallocation opportunities have expanded to new activities that enhance revenues and control expenses over the short and long term. As a result, Asheville-Buncombe Technical Community College remains financially sound.

REQUEST FOR INFORMATION

This report is designed to provide a summary overview of the College's finance. Questions or requests for additional information should be addressed to:

Asheville-Buncombe Technical Community College
340 Victoria Road
Asheville, North Carolina 28801
828-254-1921

AB Tech
Community College

VISION

- **Changing Lives**
- **Strengthening Communities**

FINANCIAL STATEMENTS

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Statement of Net Position
June 30, 2016
Exhibit A-1

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	4,712,919
Restricted Cash and Cash Equivalents		438,281
Receivables, Net (Note 4)		1,189,722
Inventories		1,600,338
Prepaid Items		773,830
Notes Receivable, Net (Note 4)		4,701
Total Current Assets		8,719,791
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		198,151
Restricted Due from Primary Government		135,000
Capital Assets - Nondepreciable (Note 5)		6,220,544
Capital Assets - Depreciable, Net (Note 5)		137,644,194
Total Noncurrent Assets		144,197,889
Total Assets		152,917,680
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions (Note 11)		2,529,938
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		973,910
Due to Primary Government		7,677
Unearned Revenue		618,823
Funds Held for Others		412,051
Long-Term Liabilities - Current Portion (Note 7)		772,391
Total Current Liabilities		2,784,852
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		8,571,019
Total Liabilities		11,355,871
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions (Note 11)		1,336,721
NET POSITION		
Net Investment in Capital Assets		143,712,027
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		2,250
Expendable:		
Scholarships and Fellowships		43,313
Loans		2,555
Capital Projects		218,136
Restricted for Specific Programs		586,366
Unrestricted		(1,809,621)
Total Net Position	$	142,755,026

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

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2016
Exhibit A-2

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 9)	$	7,785,377
Sales and Services, Net (Note 9)		2,649,047
Total Operating Revenues		10,434,424
EXPENSES		
Operating Expenses: (Note 10)		
Salaries and Benefits		35,912,542
Supplies and Materials		7,336,362
Services		6,037,582
Scholarships and Fellowships		6,444,269
Utilities		1,651,119
Depreciation/ Amortization		3,664,283
Total Operating Expenses		61,046,157
Operating Loss		(50,611,733)
NONOPERATING REVENUES (EXPENSES)		
State Aid		26,695,386
County Appropriations		6,569,021
Noncapital Grants - Student Financial Aid		10,566,611
Noncapital Grants - Other		2,917,470
Noncapital Gifts		1,288,798
Investment Income		34,149
Interest and Fees on Debt		(8,808)
Other Nonoperating Revenues (Expenses)		(342,799)
Net Nonoperating Revenues		47,719,828
Loss Before Capital Contributions		(2,891,905)
State Capital Aid		2,604,810
Capital Grants		199,542
Capital Gifts		65,542,610
Increase in Net Position		65,455,057
NET POSITION		
Net Position, July 1, 2015 (Restated, Note 16)		77,299,969
Net Position, June 30, 2016	$	142,755,026

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

Statement of Cash Flows
For the Year Ended June 30, 2016
Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	10,065,326
Payments to Employees and Fringe Benefits		(37,720,734)
Payments to Vendors and Suppliers		(16,001,908)
Payments for Scholarships and Fellowships		(6,444,269)
Loans Issued to Students		(381,351)
Collection of Loans to Students		403,879
Other Receipts		195,361
Net Cash from Operating Activities		(49,883,696)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		26,695,386
County Appropriations		6,569,021
Noncapital Grants - Student Financial Aid		10,566,611
Noncapital Grants Received		2,673,407
Noncapital Gifts and Endowments Received		1,288,798
Net Cash from Noncapital Financing Activities		47,793,223
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		2,604,810
Capital Grants Received		199,542
Acquisition and Construction of Capital Assets		(1,839,244)
Principal Paid on Capital Debt and Leases		(41,061)
Interest Paid on Capital Debt and Leases		(8,808)
Net Cash from Capital and Related Financing Activities		915,239
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments and Related Fees		34,149
Net Cash from Investing Activities		34,149
Net Decrease in Cash and Cash Equivalents		(1,141,086)
Cash and Cash Equivalents, July 1, 2015		6,490,438
Cash and Cash Equivalents, June 30, 2016	$	5,349,352

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

Statement of Cash Flows
For the Year Ended June 30, 2016
Exhibit A-3, page 2

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(50,611,733)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		3,664,283
Provision for Uncollectible Loans and Write-Offs		(8,521)
Pension Expense		709,421
Miscellaneous Nonoperating Income		91,305
Nonoperating Other Income (Expenses)		(199,690)
Changes in Assets and Liabilities:		
Receivables, Net		62,702
Inventories		(560,405)
Prepaid Items		(74,877)
Notes Receivable, Net		22,528
Accounts Payable and Accrued Liabilities		(336,893)
Due to Primary Government		6,568
Unearned Revenue		(354,066)
Funds Held for Others		317,320
Deferred Outflows - Contributions After the Measurement Date		(2,108,587)
Compensated Absences		(503,051)
Net Cash Used by Operating Activities	$	(49,883,696)
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current Assets:		
Cash and Cash Equivalents	$	4,712,919
Restricted Cash and Cash Equivalents		438,281
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		198,151
Total Cash and Cash Equivalents - June 30, 2016	$	5,349,351
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Assets Acquired through Gifts	$	65,542,610
Increase in Receivables Related to Nonoperating Income		239,337
Loss on Disposal of Capital Assets		(143,109)

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

Statement of Financial Position

June 30, 2016

Exhibit B-1

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	2,729,969
Contributions Receivable		1,074,067
Other Current Assets		65,008
Total Current Assets		3,869,044
Non-Current Assets:		
Foundation Endowment - Restricted		5,154,309
Long-Term Pledge Receivable (Net)		2,541,608
Charitable Remainder Trusts Receivable (Net)		1,543,648
Total Non-Current Assets		9,239,565
Total Assets	$	13,108,609
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	89
Funds Held for Others		9,305
Total Current Liabilities		9,394
NET ASSETS		
Unrestricted		389,913
Temporarily Restricted		9,138,655
Permanently Restricted		3,570,647
Total Net Assets		13,099,215
Total Liabilities and Net Assets	$	13,108,609

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

Statement of Activities
For the year ended June 30, 2016
Exhibit B-2

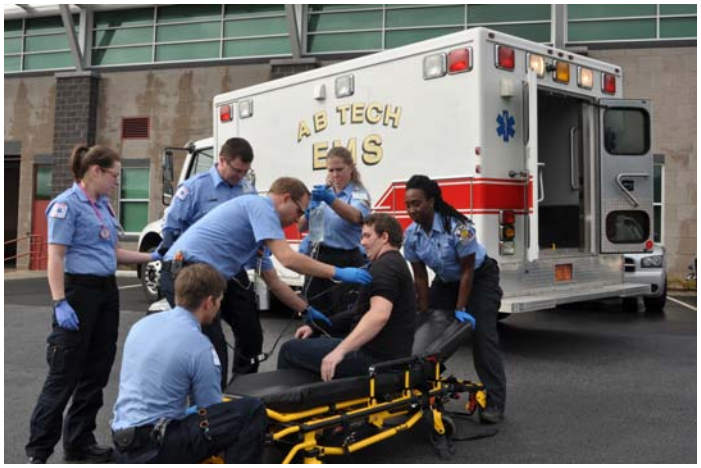
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions	$ 56,421	$ 577,227	$ 140,503	$ 774,151
Grant revenue	5,000	223,596	-	228,596
Investment return	18,545	(172,527)	-	(153,982)
Change in value-charitable remainder trusts	-	(30,694)	-	(30,694)
Special events revenue	131,765	-	-	131,765
In-kind contributions	174,286	-	-	174,286
Other revenue	588	8,021	-	8,609
Transfer of funds to endowment	(12,000)	12,000	-	-
Net assets released from restrictions:	1,736,662	(1,736,662)	-	-
Total Support and Revenue	2,111,267	(1,119,039)	140,503	1,132,731
Expenses				
Program Expenses:				
Scholarships	498,367	-	-	498,367
Sponsored programs	1,314,686	-	-	1,314,686
Total Program Expenses	1,813,053	-	-	1,813,053
Management and General Expenses	93,533	-	-	93,533
Fundraising Expenses	106,363	-	-	106,363
Total Expenses	2,012,949	-	-	2,012,949
Change in Net Assets	98,318	(1,119,039)	140,503	(880,218)
Transfer of Net Assets Based on Donor Reque	-	(100,000)	100,000	-
Net Assets, Beginning of Year	291,595	10,357,694	3,330,144	13,979,433
Net Assets, End of Year	**$ 389,913**	**$ 9,138,655**	**$ 3,570,647**	**$ 13,099,215**

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

A-B Tech Community College

MISSON

Dedicated to student success, A-B Tech delivers quality education to enhance academic, workforce, and personal development.



NOTES TO FINANCIAL STATEMENTS

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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. Asheville-Buncombe Technical Community College (the "College") is a component unit of the State of North Carolina State and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and its component units for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. The discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness.

Discretely Presented Component Unit – Asheville-Buncombe Technical Community College Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 30 selected members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2016, the Foundation distributed $703,747 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Business Services Offices at (828) 398-7111.

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

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

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

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

D. Cash and Cash Equivalents - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund (STIF). The STIF maintained by the State Treasurer has the general

characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

E. Foundation Endowment – Investments generally are reported at fair value, as determined by quoted market prices or estimate amounts determined by management if quoted market prices are not available. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

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

G. Inventories - Inventories, consisting of expendable supplies, are valued at cost using last invoice cost method. Merchandise for resale is valued using the average cost method

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

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

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

Asset Class	Estimated Useful Life
Buildings and Improvements	10-100 years
Machinery & Equipment	5-30 years
General Infrastructure	10-75 years
Computer Software	2-30 years

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

by external parties or statute, and endowment and other restricted investments

J. Deferred Outflows of Resources - The Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The College has one item that meets this criterion: contributions made in the current fiscal year to the Teachers' and State Employees' Retirement System (TSERS).

K. Unearned Revenue - Unearned revenue includes the portion of student tuition and fees for summer programs which have been received as of June 30 of the year, but not earned; scholarship and grant income that has been received but not expended; and unearned revenue for certain ongoing projects.

L. Funds Held for Others – Funds Held for Others consist primarily of Agency Scholarships and Direct Loans that have not yet been disbursed to the respective students.

M. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include net pension liability, capital lease obligations, and compensated absences that will not be paid within the next fiscal year.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2015 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 11 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

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

carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

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

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

O. Deferred Inflows of Resources - The Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The College has one item that meets this criterion: pension related deferrals.

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

Net Investment in Capital Assets - This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established

for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College. Both restricted and unrestricted net position include consideration of deferred inflows and outflows of resources.

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

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

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

S. Internal Sales Activities – Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such

as Bookstore, Early Education Center, and Motor Pool. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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

U. **Defined Benefit Pension Plan -** For purpose of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, information about the fiduciary net position of TSERS and additions to/deduction from TSERS' fiduciary net position have been determined on the same basis as they are reported by TSERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The College's contributions are recognized when due and the College has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS. Investments are reported at fair value.

V. **New Pronouncements** – During the fiscal year ended June 30, 2016, the College adopted GASB Statement No. 72, *Fair Value Measurement and Application*. See Note 3 for the new disclosure related to the College's implementation of the standard.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling $7,250, and deposits in private financial institutions with a carrying value of $113,331 and a bank balance of $268,471.

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

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2016, the College's bank balance in excess of federal depository insurance coverage was covered under pooling method.

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

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

At June 30, 2016, the amount shown on the Statement of Net Position as cash and cash equivalents includes $5,228,770, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2016. 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. Component Unit - Investments of the College'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. The Foundation has established an account with the Community Foundation of Western North Carolina, Inc. (CFWNC), for its permanently restricted endowment funds. It allows the distribution of an annual spendable amount from investment income as provided for in the CFWNC's investment and distribution policies. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. Following is a summary of CFWNC activity:

	Amount
Asset value as of June 30, 2015:	$ 4,976,101
Current year activity:	
Cash transfers and withdrawals, net	350,735
Investment income and interest	62,971
Investment (loss) gain	(210,568)
Community Foundation fees	(24,930)
Asset value as of June 30, 2016:	$ 5,154,309

The Foundation places its cash and cash equivalents on deposit with the State Treasurer.

C. Reconciliation of Deposits and Investments – A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2016 is as follows:

Cash on Hand	$	7,250
Carrying Amount of Deposits with Private Financial Institutions		5,228,770
Investments in the Short-Term Investment Fund		113,331
Total Deposits and Investments	$	5,349,351
Deposits		
Current:		
Cash and Cash Equivalents	$	4,712,919
Restricted Cash and Cash Equivalents		438,281
Noncurrent:		
Restricted Cash and Cash Equivalents		198,151
Total Deposits and Investments	$	5,349,351

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the College's investments are recorded at fair value as of June 30, 2016. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

Level 1 — Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.

Level 2 — Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.

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

College - At year-end, all of the College's investments valued at $5,228,770 were held in the STIF which is a Level 2 investment.

Component Unit - The following table summarizes the valuation of the College's discretely presented component unit's financial assets and liabilities measured at fair value as of June 30, 2016, based on the level of input utilized to measure fair value.

	Assets Measured at Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable (Level 2)	Unobservable (Level 3)
Investments with Community Foundation of WNC [(a)]	$ 5,154,309	$ -	$ -	$ -
Beneficial interest in remainder trusts	1,543,648	-	-	1,543,648
	$ 6,697,957	$ -	$ -	$ 1,543,648

[(a)] In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Fair value for the beneficial interests in remainder trusts (Level 3) is determined by estimating the present values of the future distributions expected to be received. Inputs include June 30, 2016 values of the investments in the trusts, data from published life expectancy tables and a 3% discount rate. There have been no changes in the valuation techniques and related inputs.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Beneficial Interest in Remainder Trusts
July 1, 2015	$ 1,574,342
Total losses	(30,694)
July 1, 2015	$ 1,543,648

NOTE 4 - RECEIVABLES

The College's receivables at June 30, 2016, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 1,178,016	$ 459,153	$ 718,863
Student Sponsors	116,230	17,579	98,651
Vendors	125,854	-	125,854
Intergovernmental	111,642	-	111,642
Settlement	122,222	-	122,222
Patrons	15,624	9,265	6,359
Other	6,131	-	6,131
Total Current Receivables	$ 1,675,719	$ 485,997	$ 1,189,722
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	$ 4,701	$ -	$ 4,701

Note 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2016, is presented as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital Assets, Nondepreciable:				
Land	$ 5,958,213	$ -	$ -	$ 5,958,213
Construction in Progress - Equipment	85,258	-	39,156	46,102
Construction in Progress - Infrastructure	275,127	258,282	317,180	216,229
Total Capital Assets, Nondepreciable	6,318,598	258,282	356,336	6,220,544
Capital Assets, Depreciable:				
Buildings	94,500,128	60,162,125	-	154,662,253
Machinery and Equipment	14,065,784	2,236,017	575,570	15,726,231
General Infrastructure	5,808,377	5,046,310	-	10,854,687
Total Capital Assets, Depreciable	114,374,289	67,444,452	575,570	181,243,171
Less Accumulated Depreciation/Amortization for:				
Buildings	31,199,926	2,233,038	-	33,432,964
Machinery and Equipment	7,051,171	1,218,853	432,461	7,837,563
General Infrastructure	2,116,058	212,392	-	2,328,450
Total Accumulated Depreciation	40,367,155	3,664,283	432,461	43,598,977
Total Capital Assets, Depreciable, Net	74,007,134	63,780,169	143,109	137,644,194
Capital Assets, Net	$ 80,325,732	$ 64,038,451	$ 499,445	$ 143,864,738

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2016, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 331,211
Accrued Payroll	615,807
Intergovernmental Payables	26,892
Total	$ 973,910

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2016, is presented as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Capital Leases Payable	$ 193,772	$ -	$ 41,061	$ 152,711	$ 43,162
Compensated Absences	3,673,611	2,116,575	2,619,626	3,170,560	729,229
Net Pension Liability	1,834,956	4,185,183	-	6,020,139	-
Total Long-Term Liabilities	$ 5,702,339	$ 6,301,758	$ 2,660,687	$ 9,343,410	$ 772,391

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

NOTE 8 - LEASE OBLIGATIONS

A. Capital Lease Obligations - Capital lease obligations relating to copiers 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, 2016:

Fiscal Year	Amount
2017	$ 49,869
2018	49,869
2019	49,869
2020	16,624
Total Minimum Lease Payments	166,231
Amount Representing Interest (4.00% & 6.95% Rates of Interest)	13,520
Present Value of Future Lease Payments	$ 152,711

Machinery and equipment associated with capital leases were acquired in fiscal year 2015 and amounted to $220,954. Depreciation for these capital assets, included in depreciation expense and accumulated depreciation, totaled $ 73,651 at June 30, 2016.

B. Operating Lease Obligations - The College entered into operating leases for equipment. Future minimum leases payments under non-cancelable operating leases for June 30, 2016:

Fiscal Year	Amount
2017	$ 69,085
2018	59,034
2019	39,529
2020	39,529
Total Minimum Lease Payments	$ 207,177

Rental expense for all operating leases during the year was $72,324.

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	$11,925,771	$ -	$ 4,241,942	$ (101,548)	$ 7,785,377
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	3,880,649	57,620	1,676,401	(10,960)	2,157,588
Rent	253,920	-	-	-	253,920
Vending	61,592	-	-	-	61,592
Motor Pool	15,647	10,126	-	-	5,521
Other	2,356	-	-	-	2,356
Sales and Services of Education and Related Activities	168,070	-	-	-	168,070
Total Sales and Services	$ 4,382,234	$ 67,746	$ 1,676,401	$ (10,960)	$ 2,649,047

Note 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	$ 21,019,879	$ 4,022,615	$ 1,183,350	$ 578,398	$ -	$ -	$ 26,804,242
Academic Support	4,835,465	247,824	201,858	-	-	-	5,285,147
Student Services	3,123,148	132,239	213,928	47,880	-	-	3,517,195
Institutional Support	3,471,709	407,074	2,859,980	-	-	-	6,738,763
Operations & Maintenance of Plant	2,486,263	298,423	1,517,621	-	1,651,119	-	5,953,426
Student Financial Aid	-	-	1,219	5,817,991	-	-	5,819,210
Auxiliary Enterprises	266,657	2,228,187	59,626	-	-	-	2,554,470
Depreciation	-	-	-	-	-	3,664,283	3,664,283
Pension Expense	709,421	-	-	-	-	-	709,421
Total Operating Expenses	$ 35,912,542	$ 7,336,362	$ 6,037,582	$ 6,444,269	$ 1,651,119	$ 3,664,283	$ 61,046,157

NOTE 11 - PENSION PLANS

Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active

service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2016 was 9.15% of covered payroll. The College's contributions to the pension plan were $2,070,646, and employee contributions were $1,357,801 for the year ended June 30, 2016.

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 2015 *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 2015 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2016, the College reported a liability of $6,020,139 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, and update procedures were used to roll forward the total pension liability to June 30, 2015. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2015, the College's proportion was 0.16336%, which was an increase of 0.00685% from its proportion measured as of June 30, 2014.

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	12/31/2014
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, 2014 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, 2015 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.2%
Global Equity	5.8%
Real Estate	5.2%
Alternatives	9.8%
Credit	6.8%
Inflation Protection	3.4%

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

to all periods of projected benefit payments to determine the total pension liability.

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

Net Pension Liability (Asset)

1% Decrease (6.25%)	Rate (7.25%)	1% Increase (8.25%)
$18,118,957	$6,020,139	($4,247,103)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2016, the College recognized pension expense of $709,421. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ -	$ 684,490
Net difference between projected and actual earnings on pension plan investments (see note below)	-	652,231
Change in proportion and differences between agency's contributions and proportionate share of contributions	421,351	-
Contributions subsequent to the measurement date	2,108,587	-
Total	$ 2,529,938	$ 1,336,721

The amount of $2,108,587 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	Amount
2017	$ (661,042)
2018	(661,042)
2019	(641,943)
2020	1,048,657
Total	$ (915,370)

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

A. Health Benefits - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System (TSERS). Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

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

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

For the current fiscal year, the College contributed 5.60% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2015, and 2014, were 5.49% and 5.40%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2016, 2015, and 2014, which were $1,267,281, $1,282,305, and $1,213,576, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

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

B. Disability Income - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of TSERS. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2016, the College made a statutory contribution of 0.41% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2015, and 2014, were 0.41% and 0.44%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2016, 2015, and 2014, which were $92,783, $95,764, and $98,884, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 13 - RISK MANAGEMENT

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

A. Public Entity Risk Pool

Public School Insurance Fund

Fire and other property losses are covered by the Public School Insurance Fund (Fund), a state-administered public entity risk pool. The Fund is financed by premiums and interest collected through membership participation and retains a $10,000,000 deductible per occurrence. Reinsurance is purchased by the Fund to cover catastrophic events in excess of the $10,000,000 deductible. Membership insured property is covered under an all risk coverage contract. Building and contents are valued under a replacement cost basis. No coinsurance penalties apply. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

B. Employee Benefit Plans

1. State Health Plan

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) of $25,000 to $50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.16% for the current fiscal year.

3. Dental Plan

The College's dental plan is self-funded and administered by the Interactive Medical Systems Corp. The administrative fee includes aggregate stop loss protection.

C. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

Fire and other property losses are covered by contracts with private insurance companies. 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.

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are $1,000,000 per claim and $10,000,000 per occurrence. The College pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the

North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $100,000 deductible. Employee dishonesty insurance for employees paid from non-state funds is purchased from Cincinnati Insurance Company with coverage of $25,000 per occurrence and a $1,000 deductible.

4. Statewide Workers' Compensation Program

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

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Commitments - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. As of June 30, 2016, there were no outstanding commitments on construction contracts.

Litigation and Claims - The College 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. College 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 College.

Federally funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the College.

NOTE 15 - RELATED PARTIES

The Asheville-Buncombe Technical Community College Education and Entrepreneurial Development Foundation (the "Entrepreneurial Foundation") is a separately incorporated nonprofit foundation associated with the College. The Entrepreneurial Foundation works to enhance and

promote the existing entrepreneurial support activities of the College's Small Business Center and Business Incubator. The College's financial statements do not include the assets, liabilities, net position, or operational transactions of the Foundation, except for support from the Foundation. This support approximated $198,433 for the year ended June 30, 2016.

NOTE 16 - CORRECTION OF AN ERROR/RESTATEMENT

As of July 1, 2016, net position as previously reported was restated as follows:

	Amount
July 1, 2016 Net Position (as Previously Reported)	$ 70,253,434
Adjustment for prior year contribution of construction project from Buncombe County less related depreciation expense	6,252,577
Adjustment for error in over accrual of funds held for others liability	793,958
July 1, 2016 Net Position as Restated	$ 77,299,969

NOTE 17 - SUBSEQUENT EVENTS

The College has evaluated subsequent events through June 2, 2017, which is the date the financial statements were available to be issued.

NOTE 18 - AUDIT HOURS AND COST

The audit required 440 audit hours at an approximate cost of $36,500. The cost represents 0.04% of the College's total assets and 0.06% of total expenses subject to audit.

A-B Tech Community College

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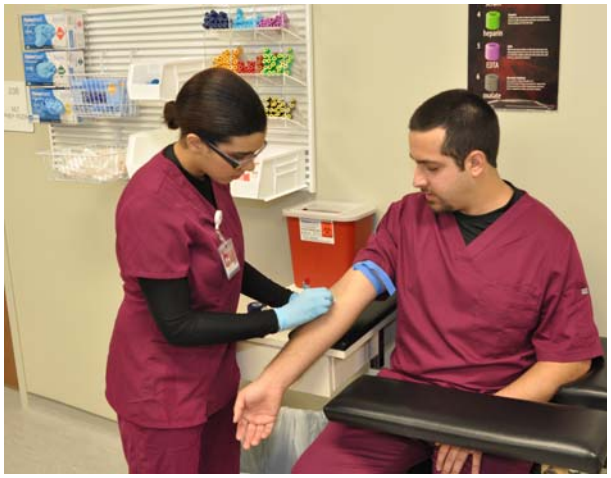
Dedicated to student success, A-B Tech delivers quality education to enhance academic, workforce, and personal development.



REQUIRED SUPPLEMENTARY INFORMATION

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Teachers' and State Employees' Retirement System

Last Three Fiscal Years

	2015	2014	2013
(1) Proportionate share percentage of collective net pension liability	0.16336%	0.15651%	0.15650%
(2) Proportionate Share of TSERS collective net pension liability	$ 6,020,139	$ 1,834,956	$ 9,501,145
(3) Covered-employee payroll	$ 22,630,011	$ 24,324,796	$ 22,473,635
(4) Net pension liability as a percentage of covered-employee payroll	26.60%	7.54%	42.28%
(5) Plan fiduciary net position as a percentage of the total pension liability	94.64%	98.24%	90.60%

Teachers' and State Employees' Retirement System
Last Ten Fiscal Years

		2016	2015	2014	2013	2012
(1)	Contractually required contribution	$ 2,070,646	$ 2,137,175	$ 1,952,959	$ 1,852,615	$ 1,574,204
(2)	Contributions in relation to the contractually determined contribution	2,070,646	2,137,175	1,952,959	1,852,615	1,574,204
(3)	Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
(4)	Covered-employee payroll	$ 22,630,011	$ 24,324,796	$ 22,473,635	$ 22,240,354	$ 21,158,659
(5)	Contributions as a percentage of covered-employee payroll	9.15%	8.75%	8.69%	8.33%	7.44%

		2011	2010	2009	2008	2007
(1)	Contractually required contribution	$ 1,023,611	$ 748,277	$ 702,384	$ 609,748	$ 488,502
(2)	Contributions in relation to the actuarially determined contribution	1,023,611	748,277	702,384	609,748	488,502
(3)	Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
(4)	Covered-employee payroll	$ 21,195,359	$ 20,960,143	$ 20,904,286	$ 19,991,739	$ 18,364,718
(5)	Contributions as a percentage of covered-employee payroll	4.83%	3.57%	3.36%	3.05%	2.66%

Schedule of College Contributions
Teachers' and State Employees' Retirement System

For the Fiscal Year Ended June 30, 2016

Changes of Benefit Terms:

Cost of Living Increase

2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
1.00%	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.

*Per the 2015 State of North Carolina Comprehensive Annual Financial Report, the 1.00% cost of living adjustment applies to retirees whose retirement began on or before July 1, 2013.

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A-B Tech Community College

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Dedicated to student success, A-B Tech delivers quality education to enhance academic, workforce, and personal development.

COMPLIANCE SECTION

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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*

To the Board of Trustees
Asheville-Buncombe Technical Community College
Asheville, 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 Asheville-Buncombe Technical Community College (the "College") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated June 2, 2017.

Internal Control over Financial Reporting

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

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2016-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

College's Response to Finding

The College's response to the finding identified in our audit is described in the schedule of findings and recommendations. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Cherry Bekaert LLP

Charlotte, North Carolina
June 2, 2017

2016-001 Controls over Financial Reporting

a. **Criteria:** Controls over financial reporting should ensure that the appropriate year-end reconciliations and closing entries are properly identified and recorded for financial statement reporting purposes to ensure that no significant or material journal entries would result from the audit process.

b. **Condition:** During our audit, we noted there wasn't support to carry certain funds held for others on the Statement of Net Position of the College. As a result, a material prior period adjustment was made to correct the balance.

c. **Cause:** The correction was due to oversight on the part of the College with regard to year-end accrual entries and closing procedures.

d. **Effect:** There is a risk that the financial statements might be materially misstated if there are not sufficient controls in place over the year-end entries and closing and preparation and review of financial statements.

e. **Recommendation:** We recommend that the College implement a more comprehensive review specifically of the accrual transactions at year-end in order to ensure the College's financial statements are free from errors. We also recommend the College review current accounting policies and procedures to ensure proper cutoff of expenses and accruals.

f. **Management response and corrective action plan:** Management agrees with the finding and recommendation. The College has had significant turnover from management to staff during the current year under audit. Current management has instituted procedures to prevent this from taking place again.

2015-01 – Financial Aid Program Review

a. **Criteria:** Asheville-Buncombe Technical Community College (the "College") receives federal awards from the U.S. Department of Education (the "Department"). As a recipient of these funds, the College must comply with federal regulations as they pertain to the administration of Title IV programs.

b. **Condition:** As reported in 2014, the Department performed a program review in which it identified 23 initial findings. These findings are not final until the Department issues a "Final Program Review Determination" letter.

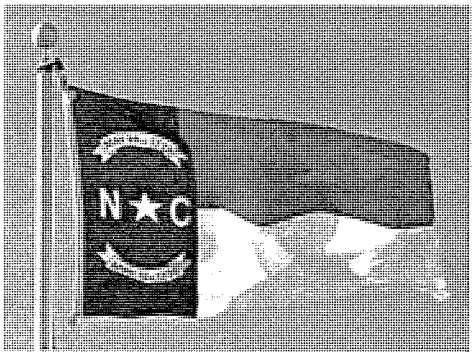
c. **Effect:** In 2014, the College accrued an estimated liability in the amount of $738,314 for federal funds it expects to be returned to the Department. Subsequent to June 30, 2015, the College received a final determination from the Department requiring the College to repay $670,738 and the accrued liability was adjusted accordingly.

d. **Current Status:** Corrected

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



HALIFAX COMMUNITY COLLEGE FOUNDATION, INC.

WELDON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2016

A COMPONENT UNIT OF HALIFAX COMMUNITY COLLEGE

NC OSA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Directors, Halifax Community College Foundation, Inc.

We have completed a financial statement audit of Halifax Community College Foundation, Inc. for the year ended June 30, 2016, 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.

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements disclosed a deficiency that is detailed in the Findings, Recommendations, and Responses section of this report. The Foundation's response is included following the finding.

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.

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

Board of Directors
Halifax Community College Foundation, Inc.
Weldon, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Halifax Community College Foundation, Inc. (Foundation), a component unit of Halifax Community College, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Halifax Community College Foundation, Inc., as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 July 17, 2017 on our consideration of the Foundation'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 Foundation's internal control over financial reporting and compliance.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

July 17, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

The Foundation's discussion and analysis provides a summary of its basic financial statements which include the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. The Halifax Community College Foundation, Inc. had a total net position of $1,357,307.35 at June 30, 2016.

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

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

The Statement of Cash Flows provides information regarding the Foundation's cash receipts and cash payments during the reported period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. The statement reconciles the beginning cash as of July 1, 2015, to the ending cash as of June 30, 2016.

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

Financial Analysis

As noted earlier, net position can serve as a useful indicator of the Foundation's financial position. Net position for the Foundation decreased by $45,766.54 for the fiscal year ended June 30, 2016, to $1,357,307.35.

Total assets decreased by 3.26% from the prior year. Other Noncurrent assets decreased by $44,322.34. The decrease is a result of payments of scholarships that are distributed from the investment account as a result of dividends and interest.

Most of the Foundation's net position, seventy-eight percent (78%), is invested in mutual funds.

Condensed Statement of Net Position

	2016	2015	Increase (Decrease)
Assets			
Current	$ 176,608.44	$ 178,052.64	$ (1,444.20)
Other Noncurrent	1,180,698.91	1,225,021.25	(44,322.34)
Total Assets	1,357,307.35	1,403,073.89	(45,766.54)
Net Position			
Restricted	1,357,307.35	1,403,073.89	(45,766.54)
Total Net Position	$ 1,357,307.35	$ 1,403,073.89	$ (45,766.54)

The Statement of Revenues, Expenses, and Changes in Net Position presents information that reports how the Foundation's net position changed. The information presented is for fiscal years ending June 30, 2016 and June 30, 2015.

Operating revenues for fiscal year 2016 were $54,638.45. This was a decrease of $95,687.73 from the prior year and due to fewer contributions received from donors. Revenues decreased due to endowment funds not receiving matching funds from the Predominantly Black Institution Formula Grant (PBI-F). In fiscal year 2015, PBI-F matched $50,000 of endowment funding.

Operating expenses for fiscal year 2016 were $83,943.25, an increase of $3,102.61. Scholarships awarded to the students of Halifax Community College represented $48,565.94 of this total. The remaining $35,377.31 was for supplies and services which include audit costs and banking fees.

Nonoperating revenues decreased by $89,683.60 from the prior year. The primary reason for the decrease was a one time capital grant of $100,000 that was received in 2015. The $10,316.40 decrease in the investment loss was primarily the result of $26,211.67 in dividends and interest.

Statement of Revenues, Expenses, and Changes in Net Position

	2016	2015	Increases (Decreases)
Operating Revenues:			
Contributions	$ 54,638.45	$ 150,326.18	$ (95,687.73)
Total Operating Revenues	54,638.45	150,326.18	(95,687.73)
Operating Expenses:			
Supplies and Materials	11,046.57	9,189.81	1,856.76
Services	24,330.74	26,129.83	(1,799.09)
Scholarships and Fellowships	48,565.94	45,521.00	3,044.94
Total Operating Expenses	83,943.25	80,840.64	3,102.61
Operating Income (Loss)	(29,304.80)	69,485.54	(98,790.34)
Nonoperating and Capital Revenues:			
Capital Grants		100,000.00	(100,000.00)
Investment Loss	(16,461.74)	(26,778.14)	10,316.40
Net Nonoperating and Capital Revenues	(16,461.74)	73,221.86	(89,683.60)
Increase (Decrease) in Net Position	(45,766.54)	142,707.40	(188,473.94)
Net Position-Beginning of Year	1,403,073.89	1,260,366.49	142,707.40
Net Position-End of Year	$ 1,357,307.35	$ 1,403,073.89	$ (45,766.54)
Total Revenues	$ 54,638.45	$ 223,548.04	$ (168,909.59)
Total Expenses	100,404.99	80,840.64	19,564.35
Total Increase (Decrease) in Net Position	$ (45,766.54)	$ 142,707.40	$ (188,473.94)

Economic Forecast

Halifax Community College Foundation, Inc. is optimistic about the future. It is currently engaged in a campaign named "Brick by Brick" which is estimated to increase unrestricted net position by $189,000. Sales for the bricks have not met expectations, but it is still an active pursuit. The Brick by Brick campaign has been revamped to be able to increase the donations. A Fifty for 50 Gala will be taking place in January 2017 to raise additional unrestricted funds. Tuition at Halifax Community College is modest by some standards, but for many of our students, it presents a barrier to completing their educational goals. Our donors realize this and have one important thing in common - they care deeply about the future of the Roanoke Valley and invest their resources into the lives of others. They know that dollars invested into an education at Halifax Community College will earn big dividends. Recipients complete their education, join the workforce, become taxpayers and stay off public assistance.

Request for Information

This financial report is designed to provide an overview of Halifax Community College Foundation's finances. Questions concerning any of this information should be addressed to the Director of the Foundation, Halifax Community College Foundation, 100 College Drive, Weldon, NC 27890, (252) 536-7239.

FINANCIAL STATEMENTS

Halifax Community College Foundation, Inc.
Statement of Net Position
June 30, 2016

Exhibit A-1

ASSETS		
Current Assets:		
Restricted Cash and Cash Equivalents	$	175,407.44
Receivables		1,201.00
Total Current Assets		176,608.44
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		121,828.00
Endowment Investments		753,804.73
Other Restricted Investments		305,066.18
Total Noncurrent Assets		1,180,698.91
Total Assets		1,357,307.35
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources		0.00
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources		0.00
NET POSITION		
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		770,304.73
Expendable:		
Scholarships and Fellowships		487,002.62
Capital Projects		100,000.00
Total Net Position	$	1,357,307.35

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

Halifax Community College Foundation, Inc.
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

Exhibit A-2

REVENUES		
Operating Revenues:		
Contributions	$	54,638.45
Total Operating Revenues		54,638.45
EXPENSES		
Operating Expenses:		
Supplies and Materials		11,046.57
Services		24,330.74
Scholarships and Fellowships		48,565.94
Total Operating Expenses		83,943.25
Operating Loss		(29,304.80)
NONOPERATING REVENUES		
Investment Loss (Includes Investment Expense of $6,794.15)		(16,461.74)
Net Nonoperating Revenues		(16,461.74)
Decrease in Net Position		(45,766.54)
NET POSITION		
Net Position, July 1, 2015		1,403,073.89
Net Position, June 30, 2016	$	1,357,307.35

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

Halifax Community College Foundation, Inc.
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	60,025.45
Payments to Vendors and Suppliers		(35,377.31)
Payments for Scholarships and Fellowships		(48,565.94)
Net Cash Used by Operating Activities		(23,917.80)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		1,418,553.00
Investment Income		25,463.06
Purchase of Investments and Related Fees		(1,355,358.43)
Net Cash Provided by Investing Activities		88,657.63
Net Increase in Cash and Cash Equivalents		64,739.83
Cash and Cash Equivalents, July 1, 2015		232,495.61
Cash and Cash Equivalents, June 30, 2016	$	297,235.44
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(29,304.80)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Changes in Assets:		
Receivables		5,387.00
Net Cash Used by Operating Activities	$	(23,917.80)
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current Assets:		
Restricted Cash and Cash Equivalents	$	175,407.44
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		121,828.00
Total Cash and Cash Equivalents - June 30, 2016	$	297,235.44
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Change in Fair Value of Investments	$	50,144.75

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. **Financial Reporting Entity** - The Halifax Community College Foundation, Inc. (Foundation), a component unit of Halifax Community College (College), is a North Carolina nonprofit corporation organized to benefit the College through administration of contributions. The Foundation is governed by a 9 member board consisting of 3 ex facto directors and 6 elected directors. The Foundation's purpose is to aid, support, promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the directors of the Foundation are appointed by the members of the Halifax Community College Board of Trustees, and the Foundation's sole purpose is to benefit the College, its basic financial statements are blended with those of the College in the College's financial report.

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

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, the full scope of the Foundation'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 Foundation 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 Foundation receives (or gives) value without directly giving (or receiving) equal value in exchange, include both monetary and in-kind donor contributions. Revenue is 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 cash on deposit with private bank accounts and money market accounts.

E. **Investments** – To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the

investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

F. **Receivables** – Receivables consist of investment income receivable and pledges that are verifiable, measurable, and expected to be collected and available for expenditures. Reported receivables are expected to be collected.

G. **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 whose use is limited by external parties, as well as endowment and other restricted investments.

H. **Net Position** - The Foundation's net position is classified as follows:

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 Foundation 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 sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources 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 based on management of the Foundation.

I. **Revenue and Expense Recognition** - The Foundation 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 Foundation's principal ongoing operations. 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 to the Foundation, as well as investment income, are considered nonoperating since these are either investing or noncapital financing activities.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. **Deposits** - At June 30, 2016, the Foundation's total deposits with a private banking institution had a carrying value of $297,235.44 and a bank balance of $276,702.99.

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned. The Foundation does not have a deposit policy for custodial credit risk. As of June 30, 2016, the Foundation's bank balance in excess of the Federal Depository Insurance Corporation (FDIC) coverage is $26,702.99 and is uninsured and uncollateralized. In addition, the Foundation's deposits include $20,532.45 in money market funds that are not subject to (FDIC) coverage in the event of collapse and are uninsured and uncollateralized.

B. **Investments** - Investments of 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.

The following table presents the investments by type and investments subject to interest rate risk at June 30, 2016, for the Foundation's investments. Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. The Foundation does not have a formal investment policy that addresses interest rate risk.

Investments

Investment Type	Value
Mutual Funds	$ 1,058,870.91

C. **Reconciliation of Deposits and Investments** - A reconciliation of deposits and investments for the Foundation to the basic financial statements as of June 30, 2016, is as follows:

Carrying Amount of Deposits with Private Financial Institutions including Money Market Funds	$	297,235.44
Investments		1,058,870.91
Total Deposits and Investments	$	1,356,106.35
Deposits		
Current:		
Restricted Cash and Cash Equivalents	$	175,407.44
Noncurrent:		
Restricted Cash and Cash Equivalents		121,828.00
Total Deposits		297,235.44
Investments		
Noncurrent :		
Endowment Investments		753,804.73
Other Restricted Investments		305,066.18
Total Investments		1,058,870.91
Total Deposits and Investments	$	1,356,106.35

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the Foundation's investments are recorded at fair value as of June 30, 2016. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

Level 1 — Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 — Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.

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

Mutual Funds – At year-end, all of the Foundation's investments valued at $1,058,870.91 were held in mutual funds which are Level 1 investments. Mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

NOTE 4 - ENDOWMENT INVESTMENTS

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

The Foundation provided scholarships that exceeded the related endowment's available annual payouts in prior years. As a result, the Foundation has spent all unrestricted funds, to the point that total assets are not sufficient to cover restrictions. This has resulted in a reduction to the restricted expendable scholarships and fellowships balance. At June 30 2016, the amount of the deficit reported against the restricted expendable scholarships balances was $162,699.40. This is an increase from the prior year of $22,854.44. The increase was a result of the reduction in contributions from donors. The Foundation has planned additional events for fiscal year 2017 to raise funds such as the Fifty for 50 Gala to help increase donor contributions.

NOTE 5 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2016 members of the Foundation's Board of Directors made contributions to the Foundation totaling $3,757.40. The Halifax Community College's Board of Trustees contributed $6,360.00.

NOTE 6 - CONTRIBUTED FACILITIES AND SERVICES

The Foundation, without cost, occupies and uses certain premises, furnishings, and equipment owned by the College. The estimated fair values of these premises, furnishings, and equipment have not been included in the financial statements. In addition, the Foundation also receives, without cost, management and accounting services provided by the College. The value of these contributed services has not been included in the accompanying financial statements.

NOTE 7 - RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts, theft of assets, errors and omissions, injuries to volunteers, and natural disasters. Since the Foundation is housed in the College's facilities and staffed by the College's employees, the Foundation is covered by the College's insurance policies. The College handles these exposures to loss by 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.

Details of the College's risk management programs are disclosed in the College's separate financial statements, which may be obtained from the College Controller's Office, Halifax Community College, Inc., PO Box 809, Weldon, NC 27890 or by calling (252) 536-7269.

NOTE 8 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2016, the Foundation implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 72, *Fair Value Measurement and Application*

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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

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

Board of Directors
Halifax Community College Foundation, Inc.
Weldon, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Halifax Community College Foundation, Inc. (Foundation), a component unit of Halifax Community College, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated July 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation'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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We identified a deficiency in internal control, described in the accompanying Findings, Recommendations, and Responses section that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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*.

Foundation's Response to Finding

The Foundation's response to the finding identified in our audit is described in the accompanying Findings, Recommendations, and Responses section. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

July 17, 2017

FINDINGS, RECOMMENDATIONS, AND RESPONSES

Matters Related to Financial Reporting

The following audit finding was identified during the current audit and describes conditions that represent deficiencies in internal control or noncompliance with laws, regulations, contracts, grant agreements, or other matters. The finding was also reported in the prior year.

DEFICIENT CASH MANAGEMENT PRACTICES RESULTED IN UNALLOWABLE USE OF RESTRICTED FUNDS

The Foundation spent funds restricted for scholarships for purposes other than what they were intended. Specifically,

- $13,269 was spent on administrative and other general expenses after all unrestricted cash balances had been exhausted.
- $9,586 was awarded in scholarships in excess of available funds.

As a result, the Foundation increased its deficit reported against restricted scholarships to a cumulative total of $162,699 as of June 30, 2016. The $162,699 deficit is the result of years of improperly tracking and managing its cash resources.

The Foundation does not have a system in place to properly track and manage its cash resources. This has led to the Foundation not being able to timely monitor the balances of its restricted and unrestricted cash resources to ensure that monies were spent appropriately.

The Foundation receives donations that are often restricted for scholarships to students at Halifax Community College. *North Carolina General Statute 36E, "Uniform Prudent Management of Institutional Funds Act,"* states such donations should be used in accordance with donor restrictions and such use should be executed in good faith, with the care of an ordinary prudent person. As outlined in *G.S. 36E-6*, only under certain circumstances and after prescribed protocols have been followed can the restrictions be released or modified.

Recommendation: The Foundation should move its accounting records to a system that provides the information necessary for tracking Foundation resources, including any restrictions to ensure proper use. Procedures should be implemented to avoid using restricted funds, even temporarily, for purposes other than those designated by the donors. Given its current financial condition, the Foundation should seek funding from unrestricted sources to cover its administrative costs.

Foundations Response: See page 18 for the Foundation's response to this finding.

HALIFAX COMMUNITY COLLEGE
FOUNDATION INC.

100 College Drive • P.O. Drawer 809 • Weldon, NC 27890
Telephone: 252-536-7239 • Website: http://www.halifaxcc.edu/Foundation/

Office of the State Auditor
Beth A Wood, CPA
2 S Salisbury Street
20601 Mall Service Center
Raleigh, NC 27699

July 11, 2017

Dear Ms. Wood:

Please accept the following as our response to the findings to our year end June 30, 2016 audit.

Foundation Response: Prior to Fiscal Year ending June 30, 2012, the Foundation did not have adequately trained personnel; nor, auditors aware of the proper accounting and reporting procedures for a 501(c)3 organization. Therefore, proper tracking of transactions were erroneous at times. In October 2012, a CPA was hired with extensive experience with 501(c)3 organizations. She endeavored to recreate the entire history of the Foundation from its inception in 1976 to determine the true position of each restricted, endowed and unrestricted fund. She also recommended a new audit firm be retained that had experience in 501(c)3 accounting.

Once the history was recreated it was found that some restricted funds had been overspent due to being over-awarded and restricted funds had been used to cover administrative expenses. The Foundation recognizes its need to make each overspent scholarship whole along with replenishing the unrestricted fund balance. The amount of overspent scholarships increased during the 2015-2016 fiscal year and funds received were not sufficient to cover necessary expenses. Unfortunately, the Foundation continued to spend restricted funds for unrestricted purposes.

We agree with your findings. The Foundation is raising unrestricted funds via donor contributions and fund-raising activities. For the 2017-2018 fiscal year there are several events scheduled which are designed to bring in unrestricted funds including the Founders Day activities, the annual Golf Tournament, The Brick by Brick campaign, the Alumni Breakfast and more.

The finance office of HCC and the Foundation office will work together to develop a better system for tracking and awarding scholarship funds for the 2017-2018 year. Allen Purser, the Executive Director of the Halifax Community College Foundation will be responsible to ensure that these actions are carried out.

Sincerely,

Allen W. Purser
Executive Director of HCC Foundation Inc.

Copy: Dr. Michael Elam, President
Mr. Steve Medlin, Foundation Board Chair

ORDERING INFORMATION

COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

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State of North Carolina
2 South Salisbury Street
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https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745

For additional information contact:
Tim Hoegemeyer
General Counsel
919-807-7670

NC OSA
The Taxpayers' Watchdog

This audit required 85 audit hours at an approximate cost of $8,755.

PIEDMONT COMMUNITY COLLEGE

(*A Component Unit of the State of North Carolina*)

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2016

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

PIEDMONT COMMUNITY COLLEGE
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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

The Board of Trustees
Piedmont Community College
Roxboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Piedmont Community College (the "College"), a component unit of the State of North Carolina, and the discretely presented component unit, Piedmont Community College Foundation, Inc. (the "Foundation"), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Foundation which are presented as component unit exhibits in the accompanying table of contents. 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 Foundation, 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 Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College and the Foundation, as of June 30, 2016, 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, the College corrected an error in the net pension liability recorded as of June 30, 2015. As a result, net position as of June 30, 2015, has been restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Charlotte, North Carolina
March 25, 2017

This section of the Piedmont Community College (the "College") Annual Financial Report presents management's discussion and analysis of the College's financial activity during the fiscal year ended June 30, 2016, with comparative data for the year ended June 30, 2015. College management has prepared this discussion, along with the financial statements and related notes. The financial statements, notes to the financial statements, and this discussion are the responsibility of College management.

The purpose of management's discussion and analysis ("MD&A") is to identify significant transactions that have financial impact and to highlight favorable and unfavorable trends. This discussion and analysis should, however, be read in conjunction with, and is qualified in its entirety by the related financial statements and notes to the financial statements.

USING THE ANNUAL REPORT/OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement ("GASB") pronouncements. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the College as a whole, with resources classified for accounting and reporting purposes into four net asset categories.

One of the most important questions asked about college finances is whether the college as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. This discussion will focus on the first two statements cited here. The Statement of Cash Flows presents the information related to cash in flows and out flows summarized by operating, capital and noncapital financing and investing activities. These statements present financial information in a form similar to that used by corporations. The college's net assets are one indicator of the college's financial health. Over time, increases or decreases in net assets is one indicator of the improvement or erosion of the college's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities.

STATEMENT OF NET POSITION

The Statement of Net Position presents college assets, liabilities and net assets as of the end of the fiscal year. The assets and liabilities are divided into current and noncurrent portions. The differences between current and noncurrent assets and liabilities are discussed further in the notes to the financial statements. The Statement of Net Position is 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.

From the data presented, readers of this statement are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors and lending institutions. The Statement of Net Position also provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution. Net assets are divided into three major categories: invested in capital assets; unrestricted net assets; and restricted net assets. Restricted net assets are then required to be presented as expendable or non-expendable. The non-expendable category does not apply to the College. These three categories of net assets are discussed further in the notes to the financial statements.

A condensed statement of net position is reflected below:

	2016	2015 (Restated)	Increase (Decrease)
Assets			
Current Assets	$ 1,623,534.71	$ 1,766,834.34	$ (143,299.63)
Noncurrent Assets	105,306.03	96,938.08	8,367.95
Capital Assets	13,990,098.15	14,288,842.41	(298,744.26)
Total Assets	15,718,938.89	16,152,614.83	(433,675.94)
Deferred Outflows of Resources	826,836.24	872,142.24	(45,306.00)
Liabilities			
Current Liabilities	720,044.43	789,325.39	(69,280.96)
Long-Term Liabilities	3,712,824.94	2,480,772.59	1,232,052.35
Total Liabilities	4,432,869.37	3,270,097.98	1,162,771.39
Deferred Inflows of Resources	914,201.00	3,109,045.00	(2,194,844.00)
Net Position			
Investment in Capital Assets	13,990,098.15	14,288,842.41	(298,744.26)
Restricted			
Expendable	129,667.79	376,443.50	(246,775.71)
Unrestricted	(2,921,061.18)	(4,019,671.82)	1,098,610.64
Total Net Position	$ 11,198,704.76	$ 10,645,614.09	$ 553,090.67

The total assets of the College decreased by $433,675.94 for the year (a decrease of $143,299.63 for current assets and a decrease of $290,376.31 for noncurrent assets).

Capital assets decreased primarily due to current year capital asset additions of $248,485.56 less depreciation expense of $530,653.35.

The total liabilities of the College increased by $1,162,771.39 for the year (a decrease of $69,280.96 in current liabilities and an increase of $1,232,052.35 in noncurrent liabilities). This increase was primarily due to the increase in the net pension liability of $1,424,597.00.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Changes in total net assets as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues earned by the institution, both operating and non-operating, and the expenses incurred by the institution, operating and non-operating, and any other revenues, expenses, gains and losses earned or incurred by the institution.

Generally speaking, operating revenues are earned for providing goods and services to the various constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues earned for which goods and services are not provided. State and county appropriations and noncapital grants are included as non-operating revenues in accordance with GASB guidelines, even though these revenues are instrumental to the College's mission and operations. Capital contributions are reported separately after non-operating revenues.

A condensed statement of revenues, expenses, and changes in net position is shown as follows:

	2016	2015 (Restated)	Increase / (Decrease)
Operating Revenues			
Tuition and Fees	$ 1,153,255.52	$ 1,240,841.76	$ (87,586.24)
Sales and Services	282,457.28	354,308.33	(71,851.05)
Other Operating Revenues	30,398.96	12,694.09	17,704.87
Total Operating Revenues	1,466,111.76	1,607,844.18	(141,732.42)
Less Operating Expenses			
Personal Services	12,389,479.21	13,378,792.29	(989,313.08)
Supplies and Materials	1,223,300.75	1,586,507.54	(363,206.79)
Services	1,442,341.10	1,309,148.70	133,192.40
Scholarships and Fellowships	1,402,204.05	1,579,783.72	(177,579.67)
Utilities	313,976.66	325,224.32	(11,247.66)
Depreciation	530,653.35	542,420.86	(11,767.51)
Total Operating Expenses	17,301,955.12	18,721,877.43	(1,419,922.31)
Operating Loss	(15,835,843.36)	(17,114,033.25)	1,278,189.89
Nonoperating Revenues (Expenses)			
State Aid	10,357,164.44	10,783,420.30	(426,255.86)
County Appropriations	1,336,566.00	1,324,785.04	11,780.96
Noncap Grants-Fed St Fin Aid	2,684,410.25	3,323,410.72	(639,000.47)
Noncapital Grants and Gifts	1,839,139.04	1,450,391.30	388,747.74
Other Nonoperating Revenue (Expenses)	(15,751.43)	(10,224.30)	(5,527.13)
Total Nonoperating Revenues	16,201,528.30	16,871,783.06	(670,254.76)
Income (Loss) Before Other Revenues	365,684.94	(242,250.19)	607,935.13
Capital Aid	187,405.73	395,099.88	(207,694.15)
Increase (Decrease) in Net Position	553,090.67	152,849.69	400,240.98
Net Position			
Net Position, Beginning of Year	10,645,614.09	14,103,367.40	(3,457,753.31)
Restatement	-	(3,610,603.00)	3,610,603.00
Net Position, End of Year	$11,198,704.76	$10,645,614.09	$ 553,090.67

Operating revenue decreased overall by $141,732.42. There was a decrease in tuition and fees of $87,586.24 due to a decline in enrollment and a decrease in sales and service revenue of $71,851.05 primarily due to a decrease in bookstore sales.

Operating expenses for fiscal year 2016 decreased $1,419,922.31 over fiscal year 2015. Personal Services decreased $989,313.08 due to a reduction in workforce. Supplies and materials decreased $363,206.79 due to a concentrated effort to reduce spending due to a reduction in funding. Services increased by $133,192.40 due to the improvement of the College's interactive instructional services and matching state grant funds utilizing institutional fund balances. Scholarships and Fellowships decreased $177,579.67 due to a decrease in student enrollment.

Non-operating revenues decreased by $670,254.76 in fiscal year 2016 from fiscal year 2015. There were some wide swings in the components of this category. State aid and Federal Student Financial Aid Grants decreased by $426,255.86 and $639,000.47, respectively, due to the decline in student enrollment. Non capital Grants and Gifts increased $388,747.74 due to an increase in grant funding.

ECONOMIC AND OTHER FACTORS IMPACTING FUTURE PERIODS

The economic position of the College is closely tied to the State of North Carolina. State aid constituted 58 percent of total College revenues and is the largest source of funding. As the economic recovery continues, the College continues to experience declining enrollment. State aid is directly tied to enrollment. The College has entered into Career and College Promise agreements with Caswell and Person County Schools. These agreements allow high school students to attend the College; however, the more rigorous enrollment requirements have resulted in fewer students able to attend the College while still in high school.

The biggest challenges facing the College continue to be the level of federal, state, and local support and assessment and reallocation of available resources. Decreasing student enrollment is another major challenge for the College. However, the College remains confident in its ability to maintain its fiscal stability and to attract citizens into higher education.

The College's Board of Trustees and administrators are dedicated in their efforts toward program assessment; cost containment; continuous improvement; expansion of curriculum, occupational training, and continuing education programs; and increased distance learning opportunities. These efforts are geared toward assessing the College's performance related to institutional goals, freeing up resources to support change, and growing new programs and opportunities. As a result, the College is positioned to increase enrollment strategically, and when appropriate, eliminate obsolete programs. The College also intends to continue to partner with the State and community in economic development and meet public expectations, while remaining financially sound.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the College's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Piedmont Community College, Controller, P. O. Box 1197, 1715 College Drive, Roxboro, North Carolina 27573.

Piedmont Community College
Statement of Net Position
June 30, 2016

Exhibit A-1

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 1,121,669.99
Restricted Cash and Cash Equivalents	49,146.69
Receivables, Net (Note 4)	205,418.54
Inventories	247,299.49
Total Current Assets	1,623,534.71
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	65,997.89
Restricted Due from Primary Government	39,308.14
Capital Assets - Nondepreciable (Note 5)	253,356.15
Capital Assets - Depreciable, Net (Note 5)	13,736,742.00
Total Noncurrent Assets	14,095,404.18
Total Assets	15,718,938.89
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions (Note 11)	826,836.24
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	292,058.09
Unearned Revenue	106,184.54
Funds Held for Others	56,588.28
Long-Term Liabilities - Current Portion (Note 7)	265,213.52
Total Current Liabilities	720,044.43
Noncurrent Liabilities:	
Long-Term Liabilities (Note 7)	3,712,824.94
Total Liabilities	4,432,869.37
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions (Note 11)	914,201.00
NET POSITION	
Investment in Capital Assets	13,990,098.15
Restricted for:	
Expendable:	
Scholarships and Fellowships	21,330.83
Capital Projects	107,712.15
Other	624.81
Unrestricted	(2,921,061.18)
Total Net Position	$ 11,198,704.76

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

Piedmont Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

Exhibit A-2

REVENUES	
Operating Revenues:	
Student Tuition and Fees, Net (Note 9)	$ 1,153,255.52
Sales and Services, Net (Note 9)	282,457.28
Other Operating Revenues	30,398.96
Total Operating Revenues	1,466,111.76
EXPENSES	
Operating Expenses:	
Salaries and Benefits	12,389,479.21
Supplies and Materials	1,223,300.75
Services	1,442,341.10
Scholarships and Fellowships	1,402,204.05
Utilities	313,976.66
Depreciation/ Amortization	530,653.35
Total Operating Expenses	17,301,955.12
Operating Loss	(15,835,843.36)
NONOPERATING REVENUES (EXPENSES)	
State Aid	10,357,164.44
County Appropriations	1,336,566.00
Noncapital Grants - Student Financial Aid	2,684,410.25
Noncapital Grants	1,839,139.04
Investment Income	1,546.49
Other Nonoperating Revenues (Expenses)	(17,297.92)
Net Nonoperating Revenues	16,201,528.30
Income Before Other Revenues, Expenses, Gains, and Losses	365,684.94
State Capital Aid	70,089.90
County Capital Aid	87,315.83
Capital Grants	30,000.00
Increase in Net Position	553,090.67
NET POSITION	
Net Position, July 1, 2015 as Restated (Note 15)	10,645,614.09
Net Position, June 30, 2016	$ 11,198,704.76

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

Piedmont Community College
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 1,586,062.59
Payments to Employees and Fringe Benefits	(13,227,254.31)
Payments to Vendors and Suppliers	(2,983,933.97)
Payments for Scholarships and Fellowships	(1,402,204.05)
Other Payments	(114,851.27)
Net Cash Used by Operating Activities	(16,142,181.01)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	10,357,164.44
County Appropriations	1,336,566.00
Noncapital Grants - Student Financial Aid	2,625,423.14
Noncapital Grants	1,809,314.29
Net Cash Provided by Noncapital Financing Activities	16,128,467.87
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	70,089.90
County Capital Aid	87,315.83
Capital Grants	67,192.10
Acquisition and Construction of Capital Assets	(248,485.56)
Principal Paid on Capital Debt and Leases	(50,688.42)
Net Cash Used by Capital and Related Financing Activities	(74,576.15)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,546.49
Investment Loss	(43.58)
Net Cash Provided by Investing Activities	1,502.91
Net Decrease in Cash and Cash Equivalents	(86,786.38)
Cash and Cash Equivalents, July 1, 2015	1,323,600.95
Cash and Cash Equivalents, June 30, 2016	$ 1,236,814.57

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

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(15,835,843.36)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		530,653.35
Pension Expense		100,942.00
Miscellaneous pension adjustments		953.00
Nonoperating Other Income		100.00
Changes in Assets, Liabilities, and Deferred Outflows of Resources:		
Receivables, Net		73,436.19
Inventories		25,551.24
Accounts Payable and Accrued Liabilities		(30,819.70)
Unearned Revenue		47,380.70
Funds Held for Others		(115,817.33)
Deferred Outflows for Contributions Subsequent to the Measurement Date		(826,836.24)
Compensated Absences		(111,880.86)
Net Cash Used by Operating Activities	$	(16,142,181.01)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	1,121,669.99
Restricted Cash and Cash Equivalents		49,146.69
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		65,997.89
Total Cash and Cash Equivalents - June 30, 2016	$	1,236,814.57

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	$	47,340.13
Loss on Disposal of Capital Assets	$	(17,397.92)

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

Piedmont Community College Foundation
Statement of Financial Position
June 30, 2016

Exhibit B-1

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	96,052.00
Accounts Receivable		150.00
Prepaid Expenses		5,430.00
Pledges Receivable, net		39,696.00
Total Current Assets		141,328.00
Investments		1,118,195.00
Property and Equipment		24,838.00
Real Estate Held for Resale		96,176.00
Pledges Receivable, Non-current, Net		1,786.00
Total Assets	$	1,382,323.00
LIABILITIES		
Accounts Payable and Accrued Expenses	$	76,360.00
Total Liabilities		76,360.00
NET ASSETS		
Unrestricted		579,737.00
Temporarily Restricted		56,767.00
Permanently Restricted		669,459.00
Total Net Assets		1,305,963.00
Total Liabilities and Net Assets	$	1,382,323.00

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

Piedmont Community College Foundation
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and Gains:		
Contributions	$	129,737.00
Income on Long-Term Investments		(27,780.00)
Other		924.00
Total Unrestricted Revenues and Gains		102,881.00
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		192,431.00
Total Unrestricted Revenues, Gains, and Other Support		295,312.00
Expenses and Losses:		
Program Expenses		237,880.00
Management and General		76,642.00
Fundraising		18,412.00
Total Expenses		332,934.00
Decrease in Unrestricted Net Assets		(37,622.00)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Revenues:		
Contributions		138,554.00
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		(192,431.00)
Decrease in Temporarily Restricted Net Assets		(53,877.00)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions		2,450.00
Increase in Permanently Restricted Net Assets		2,450.00
Increase/(Decrease) in Net Assets		(89,049.00)
Net Assets at Beginning of Year		1,395,012.00
Net Assets at End of Year	$	1,305,963.00

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

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

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

The financial statements for the College and its discretely presented component unit are presented as of and for the fiscal year ended June 30, 2016.

Discretely Presented Component Unit – The Piedmont Community College Foundation (the "Foundation") is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 22 directors. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private not-for-profit organization that reports its financial results under the Financial Accounting Standards Board ("FASB") Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board ("GASB") revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2016, the Foundation distributed $133,889.95 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Executive Director, P.O. Box 1101, 1715 College Drive, Roxboro, NC 27573.

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

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

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

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

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

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

F. Inventories – Inventories, consisting of expendable supplies and merchandise for resale, are stated at cost using the last invoice cost method.

G. Capital Assets – Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

The College capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

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

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

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

I. Deferred Outflows/Inflows of Resources – Deferred outflows and inflows of resources relates to the pension plan as further described in Note 11.

J. Noncurrent Long-Term Liabilities – Noncurrent long-term liabilities include a U.S. Department of Education liability, net pension liability, and compensated absences, that will not be paid within the next fiscal year.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2015 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 10 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

K. Compensated Absences – The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each 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 ("NCGA"). The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

L. Funds Held for Others – Funds Held for Others consist of deposits from various organizations for which the College serves as an agent.

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

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

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

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

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

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

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

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

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

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

R. New Pronouncements – During the fiscal year ended June 30, 2016, the College adopted Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application.* See Note 3 for the new disclosures related to the College's implementation of this standard.

NOTE 2 - DEPOSITS AND INVESTMENTS

The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling $820.00, and deposits in private financial institutions with a carrying value of $1,036,533.08 and a bank balance of $1,268,943.93.

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

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2016, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

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

At June 30, 2016, the amount shown on the Statement of Net Position as cash and cash equivalents includes $199,461.49 which represents the College's equity position in the 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, 2016. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the 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.

Cash on Hand	$	820.00
Carrying Amount of Deposits with Private Financial Institutions		1,036,533.08
Investments in the Short-Term Investment Fund		199,461.49
Total Deposits and Investments	$	1,236,814.57
Current:		
Cash and Cash Equivalents	$	1,121,669.99
Restricted Cash and Cash Equivalents		49,146.69
Noncurrent:		
Restricted Cash and Cash Equivalents		65,997.89
Total Deposits	$	1,236,814.57

Component Unit – Investments of the College's discretely presented component unit, the Foundation, is subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" 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, as of June 30, 2016, by type:

	Cost	Market
Cash and cash equivalents	$ 21,820.00	$ 21,820.00
Equity securities and mutual funds	947,448.00	1,118,195.00
	$ 969,268.00	$ 1,140,015.00

NOTE 3 - FAIR VALUE MEASUREMENTS

College – To the extent available, the College's investments are recorded at fair value as of June 30, 2016. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

Level 1 – Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 – Investments with inputs other than quoted prices included within Level 1 that are observable for an asset, either directly or indirectly.

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

Short-Term Investment Fund – At year-end, all of the College's investments valued at $199,461.49 were held in the STIF which is a Level 2 investment. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. As discussed in Note 2, this amount is classified as cash and cash equivalents in the Statement of Net Position.

Component Unit – The following table summarizes the valuation of the College's discreetly presented component unit's financial assets and liabilities measured at fair value as of June 30, 2016, based on the level of input utilized to measure fair value:

	Level 1	Level 2	Level 3	Total
Growth funds	$ 674,834.00	$ -	$ -	$ 674,834.00
Fixed income funds	440,375.00	-	-	440,375.00
Common stocks	2,986.00	-	-	2,986.00
Money market funds	21,820.00	-	-	21,820.00
Total assets at fair value	$ 1,140,015.00	$ -	$ -	$ 1,140,015.00

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 246,350.20	$ 173,954.93	$ 72,395.27
Student Sponsors	10,319.45	-	10,319.45
Intergovernmental	122,571.78	-	122,571.78
Other	132.04	-	132.04
Total Current Receivables	$ 379,373.47	$ 173,954.93	$ 205,418.54

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2016, is presented as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital Assets, Nondepreciable:				
Land and Permanent Easements	$ 194,856.15	$ -	$ -	$ 194,856.15
Construction in Progress	58,500.00	-	-	58,500.00
Total Capital Assets, Nondepreciable	253,356.15	-	-	253,356.15
Capital Assets, Depreciable:				
Buildings	16,184,518.04	-	-	16,184,518.04
Machinery and Equipment	3,317,854.58	240,440.88	81,997.31	3,476,298.15
General Infrastructure	3,335,731.73	8,044.68	-	3,343,776.41
Total Capital Assets, Depreciable	22,838,104.35	248,485.56	81,997.31	23,004,592.60
Less Accumulated Depreciation/Amortization for:				
Buildings	6,302,917.59	411,236.30	-	6,714,153.89
Machinery and Equipment	1,834,332.16	51,589.64	65,420.84	1,820,500.96
General Infrastructure	665,368.34	67,827.41	-	733,195.75
Total Accumulated Depreciation/Amortization	8,802,618.09	530,653.35	65,420.84	9,267,850.60
Total Capital Assets, Depreciable, Net	14,035,486.26	(282,167.79)	16,576.47	13,736,742.00
Capital Assets, Net	$ 14,288,842.41	$ (282,167.79)	$ 16,576.47	$ 13,990,098.15

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2016, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 42,006.58
Accrued Payroll	250,051.51
Total Current Accounts Payable and Accrued Liabilities	$ 292,058.09

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities – A summary of changes in the long-term liabilities for the year ended June 30, 2016, is presented as follows:

	Balance July 1, 2015 (As Restated)	Additions	Reductions	Balance June 30, 2016	Current Portion
Notes Payable	$ 170,576.97	$ -	$ 50,688.42	$ 119,888.55	$ 50,688.42
Net Pension Liability	836,640.00	1,424,597.00	-	2,261,237.00	-
Compensated Absences	1,708,793.77	918,157.22	1,030,038.08	1,596,912.91	214,525.10
Total Long-Term Liabilities	$ 2,716,010.74	$ 2,342,754.22	$ 1,080,726.50	$ 3,978,038.46	$ 265,213.52

B. Notes Payable – The College was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2016	Principal Outstanding June 30, 2016
Federal Award Repayment	Department of Education	1.00%	1/1/2019	$ 308,362.00	$ 188,473.45	$ 119,888.55

A review by the U.S. Department of Education on the 2010-2011 and 2011-2012 award years of financial aid provided to students to the College resulted in a five-year liability for the College.

The annual requirements to pay principal and interest on notes payable at June 30, 2016, are as follows:

	Annual Requirements	
Fiscal Year	**Principal**	**Interest**
2017	$ 49,568.57	$ 1,119.85
2018	50,066.53	621.89
2019	20,253.45	129.73
	$ 119,888.55	$ 1,871.47

NOTE 8 - LEASE OBLIGATIONS

A. Operating Lease Obligations – The College entered into operating leases for equipment and property. Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2016:

Fiscal Year	Amount
2017	$ 21,835.44
2018	17,370.36
2019	3,778.92
Total Minimum Lease Payments	$ 42,984.72

Rental expense for all operating leases during the year was $47,832.33.

NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Change in Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 2,278,833.36	$ -	$ (1,020,789.91)	$ (104,787.93)	$ 1,153,255.52
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	836,918.06	211,355.76	454,495.90	-	171,066.40
Other	150,576.15	60,776.94	-	-	89,799.21
Sales and Services of Education and Related Activities	21,591.67	-	-	-	21,591.67
Total Sales and Services	$ 1,009,085.88	$ 272,132.70	$ 454,495.90	$ -	$ 282,457.28

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Equipment	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 7,173,518.34	$ 485,535.85	$ 564,332.11	$ -	$ -	$ -	$ 8,223,386.30
Academic Support	1,464,020.81	62,096.84	64,075.56	-	-	-	1,590,193.21
Student Services	1,021,828.57	23,762.55	56,919.98	-	-	-	1,102,511.10
Institutional Support	1,661,598.40	78,012.31	534,142.96	-	-	-	2,273,753.67
Operations and Maintenance of Plant	570,479.66	105,986.08	161,476.14	-	313,976.66	-	1,151,918.54
Student Financial Aid	-	-	1,647.60	1,402,204.05	-	-	1,403,851.65
Auxiliary Enterprises	397,091.43	467,907.12	59,746.75	-	-	-	924,745.30
Depreciation	-	-	-	-	-	530,653.35	530,653.35
Pension Expense	100,942.00	-	-	-	-	-	100,942.00
Total Operating Expenses	$ 12,389,479.21	$ 1,223,300.75	$ 1,442,341.10	$ 1,402,204.05	$ 313,976.66	$ 530,653.35	$ 17,301,955.12

NOTE 11 - PENSION PLANS

Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System ("TSERS") plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools. Benefit provisions are established by General Statute 135-5 and may be amended only by the NCGA.

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 NCGA. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NCGA in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2016 was 9.15% of covered payroll. The College's contributions to the pension plan were $826,836.13, and employee contributions were $542,187.50 for the year ended June 30, 2016.

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 2015 *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 2015 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2016, the College reported a liability of $2,261,237.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, and update procedures were used to roll forward the total pension liability to June 30, 2015. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2015, the College's proportion was 0.06136% which was a decrease of 0.01% from its proportion measured as of June 30, 2014.

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	12/31/2014
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, 2014 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 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, 2015 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.2%
Global Equity	5.8%
Real Estate	5.2%
Alternatives	9.8%
Credit	6.8%
Inflation Protection	3.4%

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

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

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate	1% Increase (8.25%)
$6,805,700.83	$2,261,237.00	$1,595,263.66

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2016, the College recognized pension expense of $100,942.00. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ -	$ 257,103.00
Net difference between projected and actual earnings on pension plan investments (see note below)	-	244,986.00
Change in proportion and differences between agency's contributions and proportionate share of contributions	-	412,112.00
Contributions subsequent to the measurement date	826,836.24	-
Total	$ 826,836.24	$ 914,201.00

The amount of $826,836.24 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in Pension Expense:

Year ended June 30:	Amount
2017	$ (413,821.00)
2018	(413,821.00)
2019	(399,689.00)
2020	313,130.00
Total	$ (914,201.00)

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

A. Health Benefits – The College participates in the Comprehensive Major Medical Plan (the "Plan"), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the TSERS. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Plan's benefit and contribution provisions are established by Chapter 135, Article 3B, of the General Statutes, and may be amended only by the NCGA. 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 NCGA.

For the current fiscal year, the College contributed 5.60% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2015, and 2014, were 5.49% and 5.4%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2016, 2015, and 2014, which were $506,041.73, $523,285.15, and $563,184.89, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

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

B. Disability Income – The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of TSERS. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the NCGA. 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 NCGA. For the fiscal year ended June 30, 2016, the College made a statutory contribution of .41% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2015, and 2014, were .41% and .44%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2016, 2015, and 2014, which were $37,049.58, $39,079.58, and $45,889.14, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 13 - RISK MANAGEMENT

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

A. Employee Benefit Plans

1. State Health Plan

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (the "Health Plan"), a discretely presented component unit of the State of North Carolina. The Health Plan is funded by employer and employee contributions. The Health 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

Fire and other property losses are covered by contracts with private insurance companies. 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.

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. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $75,000 deductible. Losses from county and institutional funds paid employees are covered by contracts with private insurance companies.

4. Statewide Workers' Compensation Program

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

Additional details on the state-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Commitments – The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $39,308.14 at June 30, 2016.

B. Pending Litigation and Claims – The College 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. College 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 College.

C. Federally funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the College.

NOTE 15 - NET POSITION RESTATEMENTS

As of July 1, 2015, net position as previously reported was restated as follows:

	Amount
July 1, 2015 Net Position as Previously Reported	$ 11,223,229.39
Restatements:	
Correct the College's net pension liability and pension related deferred outflows of resources per GASB 68 requirements	(577,615.30)
July 1, 2015 Net Position as Restated	$ 10,645,614.09

NOTE 16 - SUBSEQUENT EVENTS

The College has evaluated subsequent events through March 25, 2017, which is the date the financial statements were available to be issued.

NOTE 17 - AUDIT HOURS AND COST

This audit required 325 audit hours at an approximate cost of $31,000. The cost represents 0.20% of the College's total assets and 0.18% of total expenses subjected to audit.

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

Exhibit C-1

	2015	2014	2013
(1) Proportionate Share Percentage of Collective Net Pension Liability	0.06136%	0.07136%	0.07440%
(2) Proportionate Share of TSERS Collective Net Pension Liability	$ 1,424,597.00	$ 836,640.00	$ 4,516,838.00
(3) Covered-Employee Payroll	$ 9,531,605.66	$ 10,429,349.85	$ 10,827,691.21
(4) Net Pension Liability as a Percentage of Covered-Employee Payroll	14.95%	8.02%	41.72%
(5) Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%

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

Exhibit C-2

	2016	2015	2014	2013
(1) Contractually Required Contribution	$ 826,836.13	$ 872,142.24	$ 906,310.50	$ 901,946.68
(2) Contributions in Relation to the Contractually Determined Contribution	1 826,836.13	872,142.24	906,310.50	901,946.68
(3) Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00
(4) Covered-Employee Payroll	$ 9,036,459.38	$ 9,531,605.66	$ 10,429,349.85	$ 10,827,691.21
(5) Contributions as a Percentage of Covered-Employee Payroll	9.15%	9.15%	8.69%	8.33%

	2012	2011	2010	2009
(1) Contractually Required Contribution	$ 767,862.32	$ 551,904.73	$ 394,394.80	$ 371,375.00
(2) Contributions in Relation to the Contractually Determined Contribution	767,862.32	551,904.73	394,394.80	371,375.00
(3) Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00
(4) Covered-Employee Payroll	$ 10,320,730.09	$ 11,194,822.16	$ 11,047,473.41	$ 11,052,827.45
(5) Contributions as a Percentage of Covered-Employee Payroll	7.44%	4.93%	3.57%	3.36%

	2008	2007
(1) Contractually Required Contribution	$ 320,520.90	$ 261,501.41
(2) Contributions in Relation to the Contractually Determined Contribution	320,520.90	261,501.41
(3) Contribution Deficiency (Excess)	$ 0.00	$ 0.00
(4) Covered-Employee Payroll	$ 10,508,881.93	$ 9,830,880.04
(5) Contributions as a Percentage of Covered-Employee Payroll	3.05%	2.66%

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

Changes of Benefit Terms:

Cost of Living Increase

2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
1.00%	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.

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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*

The Board of Trustees
Piedmont Community College
Roxboro, 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 Piedmont Community College (the "College"), a component unit of the State of North Carolina, and the discretely presented component unit, Piedmont Community College Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2017. Our report includes a reference to other auditors who audited the financial statements of the Foundation, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

College's Response to Finding

The College's response to the finding identified in our audit is described in the accompanying schedule of the findings and responses. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Cherry Bekaert LLP

Charlotte, North Carolina
March 25, 2017

2016-001 Significant Deficiency in Internal Controls Over Financial Reporting

Criteria: The College's management is responsible for the fair presentation of the financial statements and related notes to the financial statements in conformity with accounting principles generally accepted in the United States. The financial statements and related notes prepared by the College included misstatements that were identified and corrected as a result of our audit.

Condition: During our audit, we identified the following significant misstatements.

- Student accounts receivable and the allowance for doubtful accounts were understated by $86,977,
- Grant revenue was overstated by $44,681 and an adjustment was required to reclassify unearned income of $44,681 to a deferred liability account,
- Payments on long term debt were incorrectly expensed and adjusted through net position. An adjustment to correct the accounting for the College's payments on long-term debt resulted in a reduction of expenses and net position of $50,688.

Cause/Effect: The College does not have strong controls over the review of financial reporting. During our review of journal entries, we noted that insufficient support is provided to the reviewer in order for the review to be effective. As a result, many reviewed entries were later reversed and corrected. In addition, the review over year end accruals and reconciliations needs to be improved. Due to the Controller's significant involvement in assisting staff in preparing reconciliations, the review of the reconciliations often is not effective.

Recommendation: The College should ensure that appropriate and adequate resources are provided to ensure a complete and thorough review of year end reconciliations, financial statements and related disclosures and accompanying information for year-end reporting. In addition, adequate support must be attached to all journal entries to help ensure an effective review.

Management's Response and Correction Action Plan: Student accounts receivable and the allowance for doubtful accounts were understated by $86,977. The College posted data on June 30, 2016 instead of July 1, 2016 in error. There was a misunderstanding of the timing of accounts receivable data for year-end purposes. The report will not be processed until after June 30 fiscal year end as required by generally accepted accounting principles.

Grant revenue was overstated by $44,681 and an adjustment was required to reclassify unearned income of $44,681 to deferred liability account. The College did not prepare the journal entry for this liability at yearend June 30, 2016. We now have procedures in place to prevent this from reoccurring.

Payments on long-term debt were incorrectly expensed and adjusted through net position. An adjustment to correct the accounting for the College's payments on long-term debt resulted in a reduction of expenses and net position of $50,688. The College did not accurately record the effect of the long-term debt as it had for the last three years. The payment to USDOE was recorded incorrectly to the wrong account. The previous years were recorded correctly.

Training will occur to alleviate the need for the Controller to assist staff in preparing reconciliations. Backup to the Colleague System will be made at yearend to allow testing of journal entries to assure correct postings prior to finalizing the books. The College will continue to place great emphasis on the year-end financial reporting process and strengthen internal controls to ensure completeness and accuracy of the financial statements and notes to the financial statements. Training is scheduled regarding financial statement and CAFR preparation to be completed prior to yearend.

Piedmont Community College
Schedule of Prior Year Findings
For the Fiscal Year Ended June 30, 2015

2015-001 Significant Deficiency in Controls over Financial Reporting

Criteria: Controls over recording accrued liabilities and accounts receivables should ensure that the recording of transactions, including additions to, and payments of, are correctly recorded.

Condition: During our audit, we identified an accrual account that the College was unable to reconcile to detail of the underlying transactions.

Cause/Effect: A control exists to record accruals however; the control was ineffective at year end. A combination of misstatement of accruals has resulted in a potential overstatement of revenue of approximately $54,000 and a net overstatement of liabilities of $31,000. There is a risk that future financial statements may be materially misstated if controls in place over recording accrual transactions aren't effective.

Current Status: Unresolved, see finding 2016-001

WILKES COMMUNITY COLLEGE
Wilkesboro, North Carolina

Financial Statements
For the Fiscal Year Ended
June 30, 2016

WILKES COMMUNITY COLLEGE
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INDEPENDENT AUDITORS' REPORT

To the Wilkes Community College Board of Trustees
Wilkesboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Wilkes Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Wilkes Community College Endowment Corporation, the College'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 discretely presented component unit 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 Wilkes Community College Endowment Corporation 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 auditors' 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 entity'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 entity'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 other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Wilkes Community College, and its discretely presented component unit, as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 and the Schedule of the Proportionate Net Pension Liability and the Schedule of College Contributions on pages 43 and 44, respectively, 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 20, 2016, on our consideration of Wilkes Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wilkes Community College's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

December 20, 2016
Statesville, North Carolina
(704) 562-5039

This section of Wilkes Community College's Financial Statements presents management's discussion and analysis of the College's financial activity during the fiscal years ended June 30, 2016 and June 30, 2015. Since management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the College's basic financial statements and notes to financial statements. Responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

This annual report consists of financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.*

The statement format presents financial information in a form similar to that used by corporations. The statements are prepared under the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The full scope of the College's activities is considered to be a single business-type activity and is reported in a single column on the statements. Three basic financial statements are included in this report along with the required supplementary information: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Net Position includes all assets and liabilities. This statement combines current financial resources and capital assets.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as operating or nonoperating. The financial reporting model classifies State and County appropriations as nonoperating revenue. Because the College receives the majority of its funding from appropriations, this classification of appropriations results in an operating loss on the statements. Depreciation is recognized and is presented as an operating expense. The College's net position (the difference between assets and liabilities) is one indicator of the financial well-being of the College. Over a period of time, increases or decreases in the College's net position are one factor in determining the financial health of the institution. Nonfinancial factors must also be analyzed to determine the complete picture of the College's condition. Enrollment levels and the age and condition of its buildings are examples of nonfinancial factors that have an impact on the College's condition.

The Statement of Cash Flows presents an analysis of cash receipts and cash payments during the period. It shows the College's ability to meet financial obligations as they mature. The information is summarized by the different types of activities: operating activities, noncapital financing activities, capital and related financing activities and investing activities.

College Assets and Liabilities

The assets of the College are divided between current and noncurrent assets. Current Assets include Cash and Cash Equivalents, Short Term Investments, Receivables, Inventories and Prepaid items. Noncurrent Assets consist of Cash and Cash Equivalents, Receivables, Investments and Capital Assets (land, buildings, infrastructure and equipment). The College's capital assets are stated at historical cost less depreciation. A purchase is recorded as a capital asset if the item costs $5,000 or more and has a useful life of more than one year.

Current and Noncurrent Assets

	June 30, 2016	June 30, 2015	Increase/ (Decrease)	% Increase/ (Decrease)
Assets:				
Cash and Cash Equivalents	2,430,664.53	1,465,662.86	965,001.67	65.84%
Short-term Investments	1,559,563.13	1,702,584.67	(143,021.54)	-8.40%
Receivables	1,675,608.40	894,058.22	781,550.18	87.42%
Due from college component units	0.00	6,555,470.86	(6,555,470.86)	-100.00%
Inventories	402,539.47	610,337.12	(207,797.65)	-34.05%
Prepaid items	0.00	0.00	0.00	
Total Current Assets	6,068,375.53	11,228,113.73	(5,159,738.20)	-45.95%
Cash and Cash Equivalents	296,577.43	242,328.73	54,248.70	22.39%
Receivables	75,536.87	1,472,745.88	(1,397,209.01)	-94.87%
Investments	3,178,632.97	3,147,162.20	31,470.77	1.00%
Capital Assets, Net	31,705,115.15	30,914,672.23	790,442.92	2.56%
Total Noncurrent Assets	35,255,862.42	35,776,909.04	(521,046.62)	-1.46%
Total Assets	41,324,237.95	47,005,022.77	(5,680,784.82)	-12.09%

Current assets at June 30, 2016 decreased primarily due to the net effect of changes in cash and cash equivalents, receivables and amounts due from component units. Cash and cash equivalents increased due to increased cash flows from bookstore and community center programs and cash received for reimbursement of capital project expenditures. Receivables increased due increases in balances related to student aid, bookstore receivables and the reclassification of reimbursements due for capital projects from noncurrent to current receivables. The decrease in amount due from a component unit relates to the discounted future value of lease contributions for a building previously owned by the college's foundation that was leased to the college for a nominal amount. The amount was written-off when the building was donated to the college in June 2016.

Noncurrent assets decreased primarily due to the change and reclassification in receivables associated with capital projects funded through grants and state funds and net changes in capital assets.

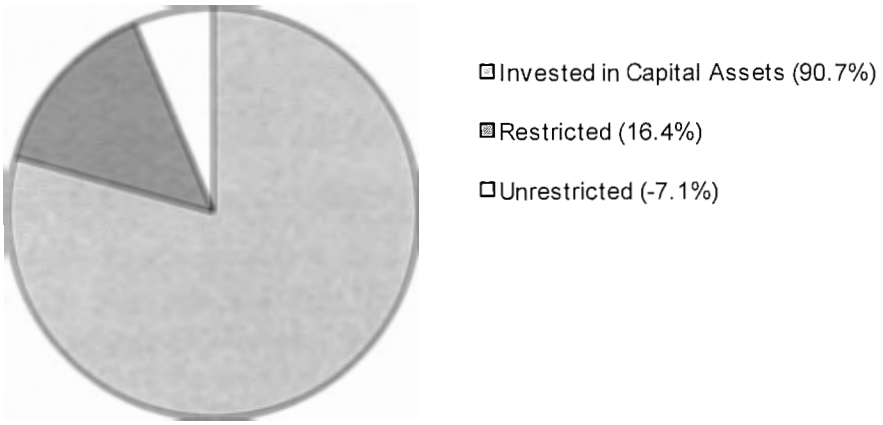
Liabilities

	June 30, 2016	June 30, 2015	Increase/ (Decrease)	% Increase/ (Decrease)
Current Liabilities	2,482,937.54	2,089,941.98	392,995.56	18.80%
Noncurrent Liabilities	4,786,019.60	2,830,816.18	1,955,203.42	69.07%
Total Liabilities	7,268,957.14	4,920,758.16	2,348,198.98	47.72%

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities that extend beyond a year. Noncurrent Liabilities include compensated absences that will not be paid within the next fiscal year and a capital lease for data servers and storage.

Net Position

Net position is a measure of the value of all of the College's assets less liabilities. The College's net position decreased $4,931,843.80 for the fiscal year for a year-end total of $34,810,603.81. The total consists of net investment in capital assets of $31,578,928.45 restricted net position of $5,720,475.91, and unrestricted net position of -$2,488,800.55.



Revenues

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees; federal, state and local operating grants, sales and services revenue; and other operating revenues. Sales and services revenue is primarily derived from bookstore operations, hospitality services, and event ticket sales. Nonoperating revenues comprise the major portion of the College's income and include appropriations from State and local governments, noncapital gifts and grants, and investment income. The largest amount, State Aid, consists of amounts allotted from the North Carolina State Board of Community Colleges to the College for operations.

Operating Revenues	June 30, 2016	June 30, 2015	Increase/ (Decrease)	% Increase/ (Decrease)
Student Tuition and Fees	1,872,926.87	1,859,067.63	13,859.24	0.75%
Federal Grants and Contracts	1,142,126.16	1,145,374.27	(3,248.11)	-0.28%
State and Local Grants and Contracts	530,277.22	776,241.77	(245,964.55)	-31.69%
Sales and Services, Net	1,374,103.22	1,595,561.51	(221,458.29)	-13.88%
Other Operating Revenues	41,954.30	20,315.30	21,639.00	106.52%
Total Operating Revenues	4,961,387.77	5,396,560.48	(435,172.71)	-8.06%

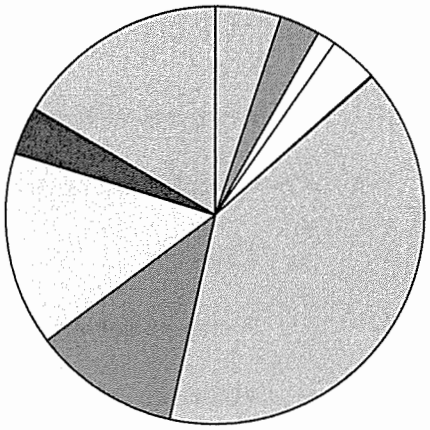
State and local grants and contracts decreased due to a grant related to the implementation of the radiography curriculum program that expired in 2015. Sales and service revenue decreased primarily due to decreases in bookstore, vending and community center catering revenue.

Nonoperating Revenues	June 30, 2016	June 30, 2015	Increase/ (Decrease)	% Increase/ (Decrease)
State Aid	14,693,189.39	13,927,271.81	765,917.58	5.50%
County Appropriations	4,155,462.78	4,003,049.98	152,412.80	3.81%
Noncapital Grants	5,515,765.57	6,414,340.99	(898,575.42)	-14.01%
Noncapital Gifts, Net	1,335,047.15	7,715,041.24	(6,379,994.09)	-82.70%
Investment Income, Net	(39,997.38)	72,566.91	(112,564.29)	-155.12%
Other Nonoperating Revenues (Expenses)	(6,057,821.49)	4,307.43	(6,062,128.92)	-140736.56%
Total Nonoperating Revenues	19,601,646.02	32,136,578.36	(12,534,932.34)	-39.01%

State aid increased due to funding associated with increased curriculum student enrollments and additional funding for summer programs and high-cost programs. County appropriations increase due to an increase in funding from Wilkes County and Ashe County in 2016. Noncapital grants decreased due primarily to a decrease in Pell grants awarded to students during the fiscal year. Noncapital gifts decrease was associated with the transfer of the in-kind lease value related to the new health sciences center from the WCC Endowment Corporation in the 2015 year, which was non-recurring. Investment income decreased because of reductions in capital gains and decreases in market values of investments during the fiscal year. Other Nonoperating Revenues (Expenses) increased due to the write-off of discounted future value of lease contributions for the health sciences center building previously owned by the college's foundation that was leased to the college for a nominal amount

The following is a graphical representation of revenues by source, and includes operating revenues as well as nonoperating revenues.

Revenue by Source



- Student Tuition and Fees (7.6%)
- Federal Grants and Contracts (4.6%)
- State and Local Grants and Contracts (2.2%)
- Sales and Services, Net (5.6%)
- Other Operating Revenues (0.2%)
- State Aid (59.8%)
- County Appropriations (16.9%)
- Noncapital Grants (22.5%)
- Noncapital Gifts, Net (5.4%)
- Investment Income, Net (-0.2%)
- Other Nonoperating Expense, Net (-24.7%)

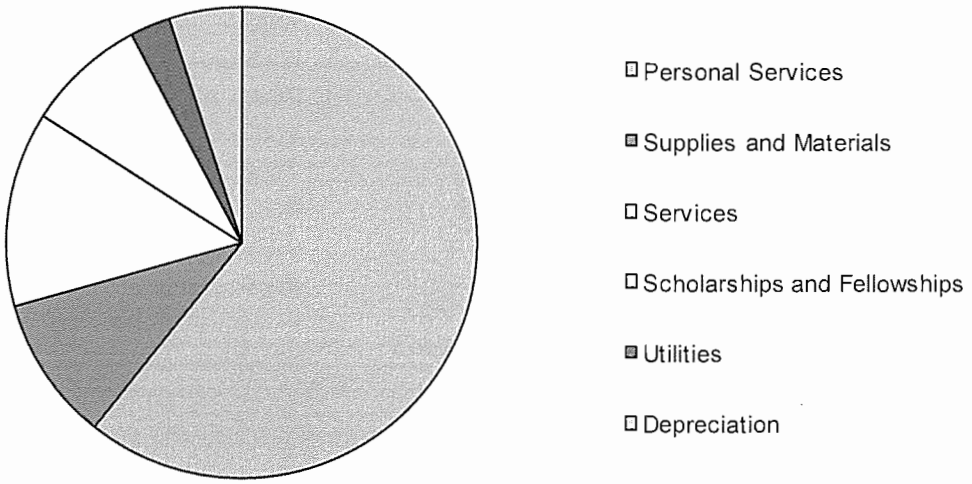
Operating Expenses

The majority of operating expenses is for direct personnel costs and fringe benefits. Other expenses are for the operating activities that are necessary and essential to the mission of the College. Depreciation expense is recognized in accordance with GASB Statement No. 34/35.

	Opertating Expenses			
	June 30, 2016	June 30, 2015	Increase/ (Decrease)	% Increase/ (Decrease)
Personal Services	19,738,549.33	20,023,914.47	(285,365.14)	-1.43%
Supplies and Materials	3,237,415.36	3,391,654.45	(154,239.09)	-4.55%
Services	4,346,735.84	3,960,019.90	386,715.94	9.77%
Scholarships and Fellowships	2,664,299.97	3,127,533.52	(463,233.55)	-14.81%
Utilities	895,191.42	886,205.00	8,986.42	1.01%
Depreciation	1,630,492.06	1,504,009.28	126,482.78	8.41%
Total Operating Expenses	32,512,683.98	32,893,336.62	(380,652.64)	-1.16%

Total operating expenses for fiscal year 2016 decreased $380,652.64 from fiscal year 2015. Personal services decreased due to a reduction in expenditures for full-time and part-time employees. Services increased due to changes in various subcategory expenditures including grant expenses, customized training expenses and costs associated with the college's information systems. Scholarships and fellowships decreased due to the decrease in Pell grants awarded to students and reduction in scholarship expenditures.

The following is a graphical representation of operating expenses.



Other Revenues, Expenses, Gains or Losses

This category consists of State and local appropriations for equipment, construction, building improvements and infrastructure and additions to endowments.

Other Revenues, Expenses, Gains or Losses

	June 30, 2016	June 30, 2015	Increase/ (Decrease)	% Increase/ (Decrease)
State Capital Aid	1,167,632.01	1,520,951.93	(353,319.92)	-23.23%
County Capital Appropriations	123,198.22	171,088.02	(47,889.80)	-27.99%
Capital Grants	0.00	198,802.00	(198,802.00)	-100.00%
Capital Gifts, Net	1,694,948.48	1,947,830.87	(252,882.39)	-12.98%
Additions to Endowments	32,027.68	10,542.00	21,485.68	203.81%
Total Other Revenues, Expenses, Gains or Losses	3,017,806.39	3,849,214.82	(831,408.43)	-21.60%

State capital aid decreased in fiscal year 2016 as a result of decreased expenditures for equipment and furniture during the year. Capital grants and capital gifts decreased as a result of decreased capital project expenditures in 2016 compared to 2015.

Capital Asset Activity

At the end of fiscal year 2016, capital assets, net of accumulated depreciation amounted to $31,705,115.15 in a broad range of capital assets (see table below). Depreciation charges for the 2015-16 fiscal year totaled $1,630,492.06. Capital asset events during the fiscal year included additions and disposals of machinery and equipment, transfer of Herring Hall from the WCC Endowment Corporation, replacement of a water line, refurbishing of the tennis courts and the lease of data server/storage system.

Capital Assets			
	June 30, 2016	June 30, 2015	Increase/ (Decrease)
Land	1,661,047.97	1,290,927.20	370,120.77
Buildings	38,038,292.43	36,793,030.72	1,245,261.71
Infrastructure	5,202,129.37	5,037,626.00	164,503.37
Machinery and Equipment	8,962,789.54	8,671,625.08	291,164.46
Art, Literature and Artifacts	45,500.00	45,500.00	0.00
Construction in Progress	—	—	0.00
Total	53,909,759.31	51,838,709.00	2,071,050.31
Less Accumulated Depreciation	22,204,644.16	20,924,036.77	1,280,607.39
Capital Assets, Net	31,705,115.15	30,914,672.23	790,442.92

Analysis of Financial Position

For the year ended June 30, 2016, the College had a net increase in cash and cash equivalents of $1,019,250.37, representing a 59.68% increase in cash and cash equivalents when compared to the July 1, 2015 balance. As discussed in the College Assets and Liabilities section, the increase can be attributed to cash flows from reimbursement of capital project expenditures and bookstore and community center programs. Changes in total assets and net position as compared to the June 30, 2015 balances can be attributed primarily to the write-off of a receivable from the WCC Endowment Corporation for future in-kind lease payments associated with Herring Hall project and capital asset activity.

Management concludes that the College's financial position has remained strong during the past fiscal year and that it is well positioned to serve the needs of its students and the community.

Factors Impacting Future Periods

Enrollments have remained relatively flat over the past four years, after several years of increasing curriculum student enrollments associated with the nationwide economic slowdown followed by correcting enrollments as economic conditions improved. The overall enrollment decrease was approximately 4.65% in 2015/16 and is expected to increase slightly for fall semester 2016. While enrollments in continuing education programs have a lesser affect on the overall budget than curriculum programs, enrollments in these areas have continued on a downward trend since 2009/10. State and local funding to the college has been impacted due to budget fluctuations. For the 2015/16 fiscal year, state funding was increased slightly as the result of new funding for summer curriculum programs. Local funding increased for 2015/16, but not significantly. Thorough planning and cost controls will allow the College to maintain its healthy financial position with minimal impact on services, students and staff. Enrollment trends will continue to be monitored to determine the optimal mix of services offered to continue to provide expanded learning opportunities to students and to continue to focus on the college's core educational mission.

In an effort to increase enrollments, the College is continuing to place an emphasis on distance learning as well as partnerships with public school systems in its educational service area. This includes the Wilkes Early College High School and the Career and College Promise program that was recently implemented in 2012 and is seeing significant increases in the number of students enrolled. These programs target populations that may be underserved and offer expanded opportunities for educational growth for high school students. Possible new educational programs are also being reviewed which will bring in new students and meet some pressing community needs. In addition, existing programs are being reviewed to ensure that they are viable.

General economic conditions continue to slowly improve across the nation and the State of North Carolina. As economic conditions have improved, enrollments at community college have corrected, especially for those colleges in rural areas. While the State of North Carolina had a budget surplus for the 2015 and 2016 fiscal years, increasing funding requirements for Medicaid, public schools and other state programs continue to put pressure on state revenues. With political uncertainties of an election year and those related to tax policy and state employee salaries, the potential exists that there will be less state revenues to support community college funding priorities. College budgets could be impacted significantly if economic conditions within the state decline or remain stagnant or if educational funding priorities change as the result of political decisions.

Requests for Information

This financial report is designed to provide an overview of Wilkes Community College's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Wilkes Community College, Senior Vice-President of Administration, PO Box 120, 1328 South Collegiate Drive, Wilkesboro, North Carolina 28697.

Wilkes Community College
Statement of Net Position
June 30, 2016

Exhibit A-1
Page 1 of 2

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 1,412,917.59
Restricted Cash and Cash Equivalents	1,017,746.94
Short-Term Investments	139,160.37
Restricted Short-Term Investments	1,420,402.76
Receivables, Net (Note 5)	1,675,608.40
Inventories	402,539.47
Total Current Assets	6,068,375.53
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	296,577.43
Restricted Due from Primary Government	75,536.87
Restricted Investments	3,178,632.97
Capital Assets - Nondepreciable (Note 6)	1,661,047.97
Capital Assets - Depreciable, Net (Note 6)	30,044,067.18
Total Noncurrent Assets	35,255,862.42
Total Assets	41,324,237.95
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	1,503,383.00
Total Deferred Outflows of Resources	1,503,383.00

Wilkes Community College
Statement of Net Position
June 30, 2016

LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	1,249,321.78
Due to Primary Government	1,727.32
Unearned Revenue	371,005.12
Funds Held for Others	277,456.21
Long-Term Liabilities - Current Portion (Note 8)	583,427.11
Total Current Liabilities	2,482,937.54
Noncurrent Liabilities:	
Long-Term Liabilities (Note 8)	4,786,019.60
Total Noncurrent Liabilities	4,786,019.60
Total Liabilities	7,268,957.14
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	748,060.00
Total Deferred Inflows of Resources	748,060.00
NET POSITION	
Net Investment in Capital Assets	31,578,928.45
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	1,745,240.82
Restricted for Specific Programs	1,435,070.15
Expendable:	
Scholarships and Fellowships	1,638,262.40
Restricted for Specific Programs	901,902.54
Unrestricted	(2,488,800.55)
Total Net Position	$ 34,810,603.81

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

Wilkes Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

Exhibit A-2

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 10)	$	1,872,926.87
Federal Grants and Contracts		1,142,126.16
State and Local Grants and Contracts		530,277.22
Sales and Services, Net (Note 10)		1,374,103.22
Other Operating Revenues		41,954.30
Total Operating Revenues		4,961,387.77
EXPENSES		
Operating Expenses:		
Salaries and Benefits		19,738,549.33
Supplies and Materials		3,237,415.36
Services		4,346,735.84
Scholarships and Fellowships		2,664,299.97
Utilities		895,191.42
Depreciation/ Amortization		1,630,492.06
Total Operating Expenses		32,512,683.98
Operating Loss		(27,551,296.21)
NONOPERATING REVENUES (EXPENSES)		
State Aid		14,693,189.39
County Appropriations		4,155,462.78
Noncapital Grants - Student Financial Aid		4,941,951.34
Noncapital Grants		573,814.23
Noncapital Gifts, Net		1,335,047.15
Investment Income		(39,997.38)
Other Nonoperating Revenues (Expenses) (Note 16)		(6,057,821.49)
Net Nonoperating Revenues		19,601,646.02
Income Before Other Revenues, Expenses, Gains, and Losses		(7,949,650.19)
State Capital Aid		1,167,632.01
County Capital Aid		123,198.22
Capital Gifts, Net		1,694,948.48
Additions to Endowments		32,027.68
Increase (Decrease) in Net Position		(4,931,843.80)
NET POSITION		
Net Position, July 1, 2015		39,742,447.61
Net Position, June 30, 2016	$	34,810,603.81

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

Wilkes Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 4,768,321.38
Payments to Employees and Fringe Benefits	(20,609,806.47)
Payments to Vendors and Suppliers	(8,355,812.88)
Payments for Scholarships and Fellowships	(2,681,222.45)
Other Receipts (Payments)	(5,987,962.49)
Net Cash Provided (Used) by Operating Activities	(32,866,482.91)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	14,693,189.39
County Appropriations	4,155,462.78
Noncapital Grants - Student Financial Aid	4,924,365.65
Noncapital Grants	594,431.40
Noncapital Gifts and Endowments	1,367,074.83
William D. Ford Direct Lending Receipts	1,237,876.00
William D. Ford Direct Lending Disbursements	(1,237,876.00)
Net Cash Provided (Used) by Noncapital Financing Activities	25,734,524.05
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	1,391,872.20
County Capital Aid	123,198.22
Capital Grants	1,172,968.82
Capital Gifts	8,250,419.34
Proceeds from Sale of Capital Assets	4,619.35
Acquisition and Construction of Capital Assets	(2,829,108.79)
Principal Paid on Capital Debt and Leases	(34,313.30)
Net Cash Provided (Used) by Capital and Related Financing Activities	8,079,655.84
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	2,978,580.26
Investment Income	110,130.64
Purchase of Investments and Related Fees	(3,017,157.51)
Net Cash Provided (Used) by Investing Activities	71,553.39
Net Increase (Decrease) in Cash and Cash Equivalents	1,019,250.37
Cash and Cash Equivalents, July 1, 2015	1,707,991.59
Cash and Cash Equivalents, June 30, 2016	$ 2,727,241.96

Wilkes Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (27,551,296.21)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/ Amortization Expense	1,630,492.06
Pension Expense	426,357.00
Nonoperating Other Income (Expenses)	(6,016,342.18)
Changes in Assets, Liabilities, and Deferred Outflows of Resources:	
Receivables, Net	(305,771.87)
Inventories	207,797.65
Accounts Payable and Accrued Liabilities	(68,543.19)
Due to Primary Government	(420.69)
Unearned Revenue	95,783.00
Funds Held for Others	29,742.69
Deferred Outflows for Contributions Subsequent to the Measurement Date	(1,195,789.00)
Compensated Absences	(118,492.17)
Net Cash Used by Operating Activities	$ (32,866,482.91)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	$ 1,412,917.59
Restricted Cash and Cash Equivalents	1,017,746.94
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	296,577.43
Total Cash and Cash Equivalents - June 30, 2016	$ 2,727,241.96

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	$ 160,926.00
Change in Fair Value of Investments	(390,954.60)
Increase in Receivables Related to Nonoperating Income	475,778.31
Loss on Disposal of Capital Assets	(40,116.31)

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

Wilkes Community College Endowment Corporation
Statement of Financial Position
June 30, 2016 — *Exhibit B-1*

ASSETS		
Cash and Cash Equivalents	$	1,897,552.00
Receivables, Net		48,058.00
Pledges Receivable/Promises		235,576.00
Inventories		11,479.00
Prepaid Expenses		19,188.00
Other assets		14,382.00
Property and Equipment, Net		938,866.00
Total Assets	$	3,165,101.00
LIABILITIES		
Accounts Payable and Accrued Expenses	$	12,278.00
Unearned Revenue		10,583.00
Total Liabilities		22,861.00
NET ASSETS		
Unrestricted		2,315,962.00
Temporarily Restricted		826,278.00
Total Net Assets		3,142,240.00
Total Liabilities and Net Assets	$	3,165,101.00

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

Wilkes Community College Endowment Corporation
Statement of Activities
For the Fiscal Year Ended June 30, 2016 — *Exhibit B-2*

CHANGES IN UNRESTRICTED NET ASSETS	
Revenues and Gains:	
Contributions	$ 203,816.00
Rental Income	6,488,299.00
Fund-Raising Income	3,361,297.00
Other	41,210.00
Total Unrestricted Revenues and Gains	10,094,622.00
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	160,000.00
Total Net Assets Released from Restrictions	160,000.00
Total Unrestricted Revenues, Gains, and Other Support	10,254,622.00
Expenses and Losses:	
Program Services	2,620,261.00
Management and General	21,405.00
Fund Raising	2,441,581.00
Total Expenses	5,083,247.00
Loss	0.00
Total Expenses and Losses	5,083,247.00
Increase/(Decrease) in Unrestricted Net Assets	5,171,375.00
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	
Contributions	973,785.00
Other	38,135.00
Interest Income	1,669.00
Change in Allow Doubtful Accts	5,700.00
Bad Debts	(1,712.00)
Transfer to Wilkes Community College	(418,249.00)
Satisfaction of Program Restrictions	(160,000.00)
Increase/(Decrease) in Temporarily Restricted Net Assets	439,328.00

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Contributions	30,974.00
Transfer to Wilkes Community College	(31,499.00)
Increase/(Decrease) in Permanently Restricted Net Assets	(525.00)
Increase/(Decrease) in Net Assets	5,610,178.00
Net Assets at Beginning of Year	(2,467,938.00)
Net Assets at End of Year	$ 3,142,240.00

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

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

The accompanying financial statements present all funds of the College and its component units for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. The discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize their legal separateness.

Discretely Presented Component Unit*(s)* – The Wilkes Community College Endowment Corporation (Endowment Corporation) is a legally separate, nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of their relationship to the College.

The Wilkes Community College Endowment Corporation is a legally separate, tax-exempt component unit of the College. The Endowment Corporation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Endowment Corporation board consists of 30 members of which 1 position was vacant at June 30, 2016. Although the College does not control the timing or amount of receipts from the Endowment Corporation, the majority of resources, or income thereon, that the Endowment Corporation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Endowment Corporation can only be used by, or for the benefit of the College, the Endowment Corporation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Endowment Corporation 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 Endowment Corporation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2016, the Endowment Corporation distributed $3,028,656.75 to the College for both restricted and unrestricted purposes. Complete financial statements for the Endowment Corporation can be obtained from the Executive Director of the Wilkes Community College Endowment Corporation, Wilkes Community College, P.O. Box 120, Wilkesboro, NC 28697-0120.

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

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

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

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

D. **Cash and Cash Equivalents** - This classification includes petty cash and cash on deposit with private bank accounts.

E. **Investments** - To the extent available, investments (money market funds, mutual funds, Hedge funds, and real estate investment trust funds) are recorded at fair value based on the market approach using prices and other relevant information generated by market transactions involving identical or similar items. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

F. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with

reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using either first-in, first-out or last invoice cost method. Bookstore inventories consisting of merchandise for resale are valued at the last invoice cost method for supply and gift items and the average cost method for textbooks.

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 College capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year. Library books are generally not considered to have an useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

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

Asset Class	Estimated Useful Life
Buildings	25-75 years
Machinery & Equipment	5-50 years
General Infrastructure	15-50 years

The art collection is capitalized at cost or fair value at the date of donation. This collection is depreciated over the life of the collection using the straight-line method. The estimated useful life for the collection is 25 years.

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

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

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2015 *Comprehensive Annual Financial Report.* This liability represents the College's portion of the collective total pension liability less the

fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 12 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

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

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

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

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

Net Investment in Capital Assets - This represents the College's total investment in capital assets, net of outstanding liabilities related to those 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 College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

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

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

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

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

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

O. **Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as the bookstore, the John A. Walker Events functions, hospitality services and the child development center (which closed in fall 2009; however, revenues are being collected on outstanding accounts). In

addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. **Deposits** - The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2016 was $5,320.00. The carrying amount of the College's deposits not with the State Treasurer was $2,721,921.96, and the bank balance was $3,190,684.60.

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

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2016, the College's bank balance in excess of federal depository insurance coverage was covered under pooling method.

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

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

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

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

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2016, for the College's investments. Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. The College does not have a formal investment policy that addresses interest rate risk.

Investments

	Fair Value	Investment Maturities (in Years) Less Than 1	1 to 5	6 to 10	More than 10
Investment Type					
Debt Securities					
Debt Mutual Funds	$ 1,080,717.24	$	$ 114,026.24	$ 918,628.00	$ 48,063.00
Money Market Mutual Funds	155,098.95	155,098.95			
Total Debt Securities	1,235,816.19	$ 155,098.95	$ 114,026.24	$ 918,628.00	$ 48,063.00
Other Securities					
Mutual Funds	2,154,788.66				
Real Estate Investment Trust	665,899.63				
Hedge Funds	681,691.62				
Total Investments	$ 4,738,196.10				

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have a formal policy that addresses credit risk. As of June 30, 2016, the College's investments were rated as follows:

	Fair Value	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Debt Mutual Funds	$ 1,080,717.24	$	$ 44,600.15	$	$ 897,032.48	$ 139,084.61	$
Money Market Mutual Funds	155,098.95	155,098.95					
Totals	$ 1,235,816.19	$ 155,098.95	$ 44,600.15	$ 0.00	$ 897,032.48	$ 139,084.61	$ 0.00

Rating Agency: Standard and Poor's

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a formal policy for custodial credit risk. The College's investments were not exposed to custodial credit risk as there are no assets held by a counterparty and there are not assets held in trust that are not in the name of the College.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The College places no limit on the amount that may be invested in any one issuer. More than 5% of the College's investments are in Dodge & Cox Income Fund Com #147, T Rowe Price Equity Income #71, Vanguard FTSE Emerging Markets ETF, Boston Partners Long/Short Research Fund Class Ins, and Principal Investors Real Estate Securities Instl Fund #4934. These investments are 14.82%, 14.76%, 7.49%, 5.38%, and 8.96%, respectively, of College's investments.

Foreign Currency Risk: Foreign currency risk is defined by GASB Statement No. 40 as the risk that changes in exchange rates will

adversely affect the fair value of an investment. The College does not have a formal policy for foreign currency risk. The College's exposure to foreign currency risk for their investments is as follows:

Investment		Fair Value (U.S. Dollars)
Dreyfus Emerging Markets Fund Class I #6083	$	146,509.79
Pimco Emerging Markets Bond Fund Instl #137		48,343.65
Pimco Foreign Bond Fund #103		44,600.15
Ishares MSCI Eafe Etf		201,007.82
Mondrian International Equity Fund		208,710.36
Vanguard FTSE Emerging Markets ETF		354,942.25
Total	$	1,004,114.02

Component Units - Investments of the College's discretely presented component unit, the Wilkes Community College Endowment Corporation is 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 Wilkes Community College Endowment Corporation report*(s)* under the FASB reporting model, disclosures of the various investment risks are not required.

C. **Reconciliation of Deposits and Investments** - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2016, is as follows:

Cash on Hand	$	5,320.00
Carrying Amount of Deposits with Private Financial Institutions		2,721,921.96
Other Investments		4,738,196.10
Total Deposits and Investments	$	7,465,438.06
Deposits	$	
Current:		
Cash and Cash Equivalents		1,412,917.59
Restricted Cash and Cash Equivalents		1,017,746.94
Noncurrent:		
Restricted Cash and Cash Equivalents		296,577.43
Total Deposits		2,727,241.96
Investments		
Current:		
Short-Term Investments		139,160.37
Restricted Short-Term Investments		1,420,402.76
Noncurrent:		
Endowment Investments		3,178,632.97
Total Investments		4,738,196.10
Total Deposits and Investments	$	7,465,438.06

NOTE 3 - FAIR VALUE MEASUREMENTS

College - To the extent available, the College's investments are recorded at fair value as of June 30, 2016. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

Level 1 — Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 — Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.

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

The following table summarizes the College's investments within the fair value hierarchy at June 30, 2016:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
Debt Mutual Funds	$ 1,080,717.24	$ 1,080,717.24	$	$
Money Market Mutual Funds	155,098.95	155,098.95		
Total Debt Securities	1,235,816.19	1,235,816.19	0.00	0.00
Other Securities				
Mutual Funds	2,154,788.66	2,154,788.66		
Real Estate Investment Trust	665,899.63	665,899.63		
Hedge Strategies-Relative Value	114,696.07	114,696.07		
Hedge Strategies-Macro	266,342.84	266,342.84		
Hedge Strategies-Event Driven	45,782.72	45,782.72		
Hedge Strategies-Equity Hedge	254,869.99	254,869.99		
Other				
Total Investments by Fair Value Level	4,738,196.10	$ 4,738,196.10	$ 0.00	$ 0.00
Investments Measured at the Net Asset Value (NAV)				
Real Estate Investment Trust				
Hedge Funds*				
Other Limited Partnerships				
Pooled Investments				
Others (Describe)				
Total Investments Measured at the NAV	0.00			
Total Investments Measured at Fair Value	$ 4,738,196.10			

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

NOTE 4 - ENDOWMENT INVESTMENTS

Investments of the College'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. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Investment return of the College's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the College's endowment funds are based on an adopted spending policy which specifies that assets will be invested in total return capacity with no distinction made between investment yields and capital appreciation. Generally, the Board will spend up to 4% of the total foundation assets based on an average 3-year market value. At June 30, 2016, net appreciation of $212,427.42 was available to be spent, of which $191,536.12 was classified in net position as restricted for scholarships and fellowships and $20,891.30 was classified in net position as restricted for specific programs as it is restricted for specific purposes. The entire amount of appreciation is restricted for specific purposes.

During the current year, the College recorded any realized or unrealized gains or losses on endowment fund investments to the corresponding restricted funds account. This maintains the endowment amount as the amount requested by the donor to remain in perpetuity.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2016, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 893,886.87	$ 374,934.86	$ 518,952.01
Student Sponsors	26,133.35	835.17	25,298.18
Accounts	28,644.96		28,644.96
Intergovernmental	724,273.40		724,273.40
Other	378,439.85		378,439.85
Total Current Receivables	$ 2,051,378.43	$ 375,770.03	$ 1,675,608.40

NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2016, is presented as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital Assets, Nondepreciable:				
Land and Permanent Easements	$ 1,290,927.20	$ 370,120.77	$	$ 1,661,047.97
Construction in Progress				0.00
Other [Describe]				0.00
Total Capital Assets, Nondepreciable	1,290,927.20	370,120.77	0.00	1,661,047.97
Capital Assets, Depreciable:				
Buildings	36,793,030.72	1,245,261.71		38,038,292.43
Machinery and Equipment	8,671,625.08	685,784.79	394,620.33	8,962,789.54
Art, Literature, and Artifacts	45,500.00			45,500.00
General Infrastructure	5,037,626.00	164,503.37		5,202,129.37
Other Intangible Assets				0.00
Total Capital Assets, Depreciable	50,547,781.80	2,095,549.87	394,620.33	52,248,711.34
Less Accumulated Depreciation/Amortization for:				
Buildings	13,817,186.32	938,280.88		14,755,467.20
Machinery and Equipment	4,565,355.21	476,876.58	349,884.67	4,692,347.12
Art, Literature, and Artifacts	43,275.66	277.92		43,553.58
General Infrastructure	2,498,219.58	215,056.68		2,713,276.26
Other Intangible Assets				0.00
Total Accumulated Depreciation/Amortization	20,924,036.77	1,630,492.06	349,884.67	22,204,644.16
Total Capital Assets, Depreciable, Net	29,623,745.03	465,057.81	44,735.66	30,044,067.18
Capital Assets, Net	$ 30,914,672.23	$ 835,178.58	$ 44,735.66	$ 31,705,115.15

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2016, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 189,358.13
Accrued Payroll	452,832.52
Intergovernmental Payables	598,278.51
Other	8,852.62
Total Current Accounts Payable and Accrued Liabilities	$ 1,249,321.78

NOTE 8 - LONG-TERM LIABILITIES

A. **Changes in Long-Term Liabilities** - A summary of changes in the long-term liabilities for the year ended June 30, 2016, is presented as follows:

	Balance July 1, 2015 (As Restated)	Additions	Reductions	Balance June 30, 2016	Current Portion
Notes Payable	$	$	$	$ -	$
Capital Leases Payable		160,500.00	34,313.30	126,186.70	29,960.49
Net Pension Liability	1,039,937.00	2,329,071.00		3,369,008.00	
Compensated Absences	1,992,744.18	1,316,721.72	1,435,213.89	1,874,252.01	553,466.62
Note Payable Anticipation Notes				-	
Total Long-Term Liabilities	$ 3,032,681.18	$ 3,806,292.72	$ 1,469,527.19	$ 5,369,446.71	$ 583,427.11

Additional information regarding capital lease obligations is included in Note 9.
Additional information regarding the net pension liability is included in Note 12.

NOTE 9 - LEASE OBLIGATIONS

A. **Capital Lease Obligations** - Capital lease obligations relating to server equipment 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, 2016:

Fiscal Year	Amount
2017	$ 34,313.30
2018	34,313.30
2019	34,313.30
2020	34,313.30
2021	
2022-2026	
2027-2031	
2032-2036	
2037-2041	
Total Minimum Lease Payments	137,253.20
Amount Representing Interest (3.45% Rate of Interest)	11,066.50
Present Value of Future Lease Payments	$ 126,186.70

Machinery and equipment acquired under capital lease amounted to $160,500.00 at June 30, 2016.

Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled $13,375.00 at June 30, 2016.

B. **Operating Lease Obligations** - The College entered into operating leases for printing/copying equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2016:

Fiscal Year	Amount
2017	$ 107,365.24
2018	17,758.56
2019	17,758.56
2020	17,758.56
2021	2,959.76
2022-2026	
2027-2031	
2032-2036	
2037-2041	$
Total Minimum Lease Payments	$ 163,600.68

Rental expense for all operating leases during the year was $723,277.07.

NOTE 10 - 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*	Less Indigent Care and Contractual Adjustments	Net Revenues
Operating Revenues:						
Student Tuition and Fees, Net	$ 4,163,430.33	$ 2,695.00	$ 2,274,996.38	$ 12,812.08	$	$ 1,872,926.87
Sales and Services:						
Sales and Services of Auxiliary Enterprises:						
Vending	$ 45,935.71	$	$	$	$	$ 45,935.71
John A. Walker Events	242,462.22					242,462.22
Child Development Center	4,699.07			4,604.42		94.65
Bookstore	1,915,812.22	199,731.94	871,066.63	158,836.76		686,176.89
Food Court - Café	3.33					3.33
Hospitality Services	303,486.88	28,243.64				275,243.24
Other						0.00
Sales and Services of Education and Related Activities	124,682.01			494.83		124,187.18
Independent Operations						0.00
Total Sales and Services, Net	$ 2,637,081.44	$ 227,975.58	$ 871,066.63	$ 163,936.01	$ 0.00	$ 1,374,103.22

NOTE 11 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	$ 11,050,314.59	$ 1,460,516.49	$ 1,419,223.64	$	$	$	$ 13,930,054.72
Public Service	5,031.56	1,338.55	24,295.22				30,665.33
Academic Support	2,442,427.22	53,773.83	119,032.44				2,615,233.49
Student Services	1,493,928.10	4,960.10	99,025.84				1,597,914.04
Institutional Support	2,155,192.81	213,172.41	1,807,155.84	212,951.47	37,570.93		4,426,043.46
Operations and Maintenance of Plant	1,638,237.34	318,698.64	424,132.68		857,620.49		3,238,689.15
Student Financial Aid			21,498.79	2,451,348.50			2,472,847.29
Auxiliary Enterprises	527,060.71	1,184,955.34	432,371.39				2,144,387.44
Depreciation/ Amortization						1,630,492.06	1,630,492.06
Pension Expense	426,357.00						426,357.00
Total Operating Expenses	$ 19,738,549.33	$ 3,237,415.36	$ 4,346,735.84	$ 2,664,299.97	$ 895,191.42	$ 1,630,492.06	$ 32,512,683.98

NOTE 12 - PENSION PLANS

Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State

(state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2016 was 9.15% of covered payroll. The College's contributions to the pension plan were $1,195,788.75, and employee contributions were $784,123.77 for the year ended June 30, 2016.

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 2015 *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 2015 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2016, the College reported a liability of $3,369,008.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, and update procedures were used to roll forward the total pension liability to June 30, 2015. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2015, the College's proportion was 0.09142%, which was an increase of 0.0027% from its proportion measured as of June 30, 2014.

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	12/31/2014
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, 2014 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, 2015 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.2%
Global Equity	5.8%
Real Estate	5.2%
Alternatives	9.8%
Credit	6.8%
Inflation Protection	3.4%

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

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

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

Net Pension Liability (Asset)

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 10,139,784.00	$ 3,369,008.00	$ (2,376,777.00)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2016, the College recognized pension expense of $735,314.00. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	$	$ 383,056.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		365,004.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	307,594.00	
Contributions Subsequent to the Measurement Date	1,195,789.00	
Total	$ 1,503,383.00	$ 748,060.00

The amount of $1,195,789.00 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	Amount
2017	$ (340,586.00)
2018	(340,586.00)
2019	(338,643.00)
2020	579,349.00
2021	
Total	$ (440,466.00)

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

A. Health Benefits - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System (TSERS). Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

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

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

For the current fiscal year the College contributed 5.60% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2015, and 2014, were 5.49% and 5.4%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2016, 2015, and 2014, which

were $731,848.85, $719,603.74, and $683,115.05, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

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

B. **Disability Income** - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of TSERS. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2016, the College made a statutory contribution of .41% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2015, and 2014, were .41% and .44%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2016, 2015, and 2014, which were $53,581.79, $53,740.90, and $55,661.23, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 14 - RISK MANAGEMENT

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

A. Employee Benefit Plans

1. State Health Plan

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State

of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

2. Death Benefit Plan of North Carolina

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

Fire and other property losses are covered by contracts with private insurance companies. 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.

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are $1,000,000 per claim and $10,000,000 per occurrence. The College pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $100,000 deductible. Losses from employee dishonesty for employees paid from county and institutional funds are covered with private insurance companies.

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the College

The College retained the following risks as of June 30, 2016 associated with employees who are involved in healthcare environments and the risk that results with the possibility of malpractice liability involved with a classroom laboratory environment. The College is protected from such risks by the purchase of insurance through private insurance companies.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Commitments - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $0 at June 30, 2016.

NOTE 16 - LEASE TERMINATION

The College had a lease on the health sciences building (Herring Hall) owned by the Endowment Corporation. On June 29, 2016 the lease was terminated and the building and associated land was deeded to the College. The remaining receivable of ($5,999,696.13) was recognized as an expense under Nonoperating Revenues (Expenses) in the line item Other Nonoperating Revenues (Expenses) totaling ($6,057,821.49).

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

Exhibit C-1

	2015	2014	2013
(1) Proportionate Share Percentage of Collective Net Pension Liability	0.09142%	0.0887%	0.0853%
(2) Proportionate Share of TSERS Collective Net Pension Liability	$ 3,369,008.00	$ 1,039,937.00	$ 5,178,579.00
(3) Covered-Employee Payroll	$ 13,107,536.33	$ 12,650,278.72	$ 12,260,469.07
(4) Net Pension Liability as a Percentage of Covered-Employee Payroll	25.70%	8.22%	42.24%
(5) Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%

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

Exhibit C-2

		2016	2015	2014	2013	2012
(1)	Contractually Required Contribution	$ 1,195,788.75	$ 1,199,339.57	$ 1,099,309.22	$ 1,021,297.07	$ 889,380.77
(2)	Contributions in Relation to the Contractually Determined Contribution	1,195,788.75	1,199,339.57	1,099,309.22	1,021,297.07	889,380.77
(3)	Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
(4)	Covered-Employee Payroll	$ 13,068,729.47	$ 13,107,536.33	$ 12,650,278.72	$ 12,260,469.07	$ 11,954,042.58
(5)	Contributions as a Percentage of Covered-Employee Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

		2011	2010	2009	2008	2007
(1)	Contractually Required Contribution	$ 593,808.53	$ 422,040.54	$ 416,104.94	$ 360,870.68	$ 300,773.43
(2)	Contributions in Relation to the Contractually Determined Contribution	593,808.53	422,040.54	416,104.94	360,870.68	300,773.43
(3)	Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
(4)	Covered-Employee Payroll	$ 12,044,797.86	$ 11,821,863.98	$ 12,372,281.64	$ 11,831,825.51	$ 11,307,271.79
(5)	Contributions as a Percentage of Covered-Employee Payroll	4.93%	3.57%	3.36%	3.05%	2.66%

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

Changes of Benefit Terms:

Cost of Living Increase

2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
1.00%	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.

*Per the 2015 State of North Carolina *Comprehensive Annual Financial Report*, the 1.00% cost of living adjustment applies to retirees whose retirement began on or before July 1, 2013.

Independent Auditors' 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

INDEPENDENT AUDITORS' REPORT

To the Wilkes Community College Board of Trustees
Wilkesboro, 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 Wilkes Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Wilkes Community College's basic financial statements, and have issued our report thereon dated December 20, 2016. Our report includes a reference to other auditors who audited the financial statements of Wilkes Community College Endowment Corporation, as described in our report on Wilkes Community College's financial statements. The financial statements of Wilkes Community College Endowment Corporation 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 Wilkes Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wilkes Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Wilkes Community College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses (referenced at 2016-01) that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wilkes Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as item 2016-01.

The College's Response to Findings

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Smith & Wike PLLC

December 20, 2016
Statesville, North Carolina
(704) 562-5039

Wilkes Community College
Schedule of Findings and Responses
For the Year Ended June 30, 2016

Finding 2016-01:

SIGNIFICANT DEFICIENCY AND NONCOMPLIANCE

Criteria:	Federal guidelines state that the College must verify certain data in financial aid applications that are selected for verification by the Department of Education and, if necessary, correct data in the application.
Condition:	We identified two financial aid applications that did not agree to verification supporting documentation provided by the student. In both instances, the number of household members per the financial aid application did not agree to verification supporting documentation.
Effect:	The College was not in compliance with the federal compliance requirement cited above.
Cause:	Management of the financial aid program did not have procedures and controls in place to ensure that data in financial aid applications agreed to verification documentation.
Questioned Cost:	None. The errors in the financial aid applications did not affect the amount of funding the students received.
Recommendation:	We recommend that the College implement procedures to ensure that financial aid applications agree to verification supporting documentation.
Management response and corrective action plan:	The College concurs with the recommendation and has implemented additional procedures to ensure that financial aid applications agree to verification supporting documentation.