Attachment AUD 2

College Financial Audits with Findings
FY 2015-2016

SBCC
04/21/2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

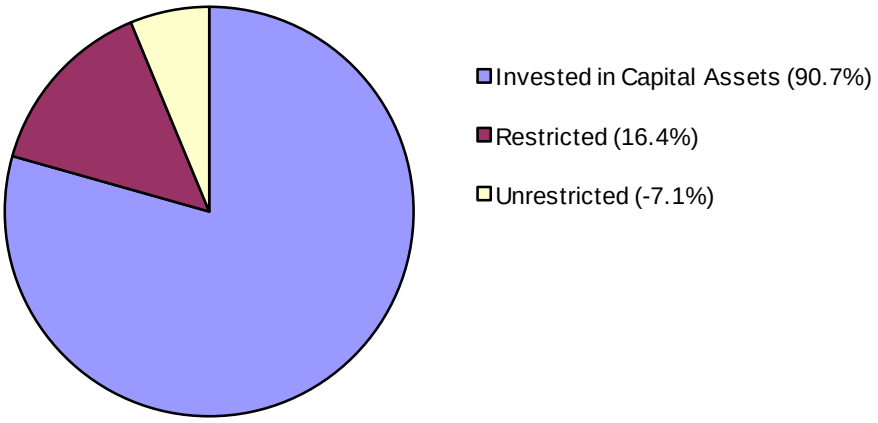
Liabilities

	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%

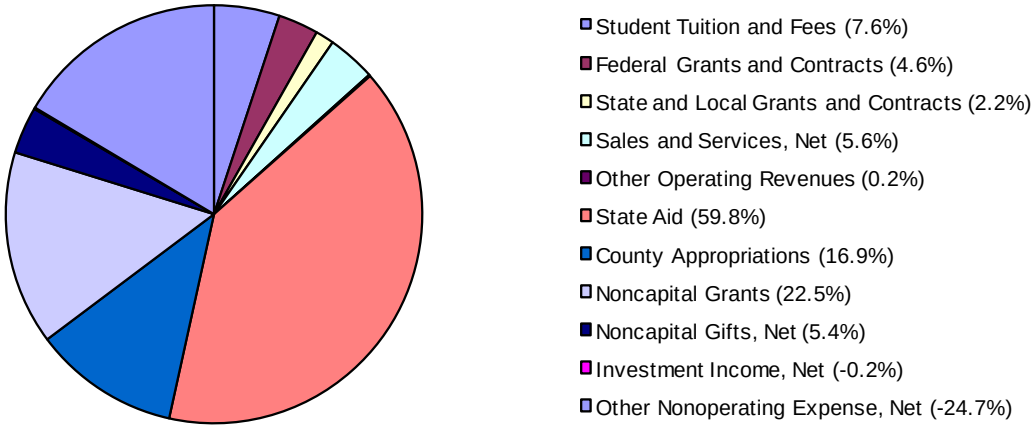
State and local grants and contracts decreased due to a grant related to the implementation of the radiography curriculum program that expired in 2015. Sales and service revenue decreased primarily due to decreases in bookstore, vending and community center catering revenue.

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



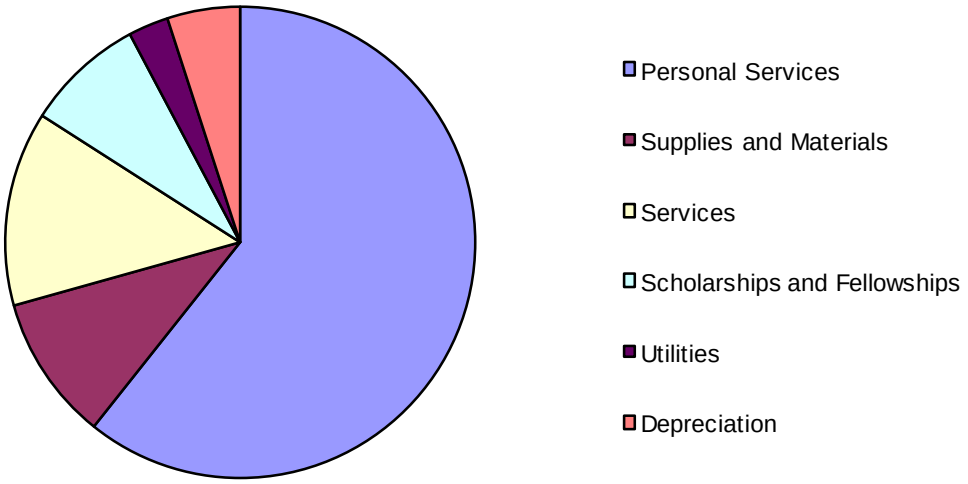
Operating Expenses

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

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

Exhibit A-1

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

Exhibit A-3

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.