COLLEGE OF THE ALBEMARLE

(A Component Unit of the State of North Carolina)

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2015

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

Members of the Board of Trustees
College of The Albemarle
Elizabeth City, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of College of The Albemarle (the "College"), a component unit of the State of North Carolina, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, the College adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Charlotte, North Carolina
January 19, 2016

Overview

The College of The Albemarle was established in 1960 and is the oldest comprehensive community college in the North Carolina Community College System. The College serves seven counties (Camden, Chowan, Currituck, Dare, Gates, Pasquotank, and Perquimans) and the land mass covers over 1,875 square miles. Major campuses are located in the northeastern portion of North Carolina in the cities of Edenton, Elizabeth City, Manteo, and Barco.

In this section of the College's annual report, management discusses various aspects of the College, both past and present. Among other things, management's discussion and analysis provides an overview of the previous year of operations and compares that year to the year being audited.

Management's discussion and analysis is a very important section of an annual report, especially for those analyzing the fundamentals, which include management and management style. Although this section contains useful information, the section is unaudited.

Our discussion and analysis of College of The Albemarle's financial performance provides an overview of College's activities for the fiscal year ended June 30, 2015. The intent of management's discussion and analysis is to look at the College's financial performance as a whole: readers should also review the notes to the financial statements to enhance their understanding of the financial performance.

Using the Annual Report

College of The Albemarle's discussion and analysis provides a summary of the College's basic financial statements. The College of The Albemarle Foundation, Inc. is a discretely presented component unit of the College. The following basic financial statements are included in this report:

Statement of Net Position	Exhibit A-1
Statement of Revenues, Expenses and Changes in Net Position	Exhibit A-2
Statement of Cash Flows	Exhibit A-3
Foundation-Statement of Financial Position	Exhibit B-1
Foundation-Statement of Activities	Exhibit B-2

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

The Statement of Revenues, Expenses and Changes in Net Position shows how the College's net position changed during the most recent fiscal year. Revenues and expenses are presented in a format that distinguishes between operating and nonoperating revenues and expenses. The Foundation's Statement of Activities shows how the Foundation's net asset position has changed during the fiscal year. The revenues and expenses are shown by availability as unrestricted, temporarily restricted and permanently restricted.

The Statement of Cash Flows provides detail on the College's cash activity for the year. The direct method is used to present cash flows.

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

Financial Highlights

The Financial Statements for 2014 have been restated to reflect the implementation of GASB 68-*Accounting and Financial Reporting for Pensions*. GASB 68 was implemented to provide citizens and other users of financial statements with a clearer perspective of the size and nature of the financial obligations to current and former employees for past services rendered. The College participates in the Teachers' and State Employees' Retirement System (TSERS) which is a cost-sharing multiple employers defined benefit pension plan. As a participating member of TSERS we are required to recognize liabilities for our proportionate share of the collective net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to current and past employees based on past services) and the assets (mostly investments reported at fair value). The College's net position was restated downward by $2,649,836 in 2014.

Condensed Statement of Net Position

	2015	*2014*	Increase (Decrease)	Percent Change
Assets				
Current and Other Assets	$ 3,607,249.47	$ 3,745,639.70	$ (138,390.23)	-3.69%
Capital Asset, Net	31,306,190.74	31,275,700.49	30,490.25	0.10%
Total Assets	34,913,440.21	35,021,340.19	(107,899.98)	-0.31%
Deferred Outflows	774,007.00	-	774,007.00	
Liabilities				
Current	869,332.97	892,687.68	(23,354.71)	-2.62%
Noncurrent	1,236,813.11	392,918.98	843,894.13	214.78%
Total Liabilities	2,106,146.08	1,285,606.66	820,539.42	63.83%
Deferred Inflows	2,318,371.00	-	2,318,371.00	
Net Position				
Net Investment In Capital Assets	31,306,190.74	31,275,700.49	30,490.25	0.10%
Restricted Net Position	832,585.73	1,177,123.23	(344,537.50)	-29.27%
Unrestricted Net Position	(875,846.34)	1,282,909.81	(2,158,756.15)	-168.27%
Total Net Position	$ 31,262,930.13	$ 33,735,733.53	$ (2,472,803.40)	-7.33%

Total assets decreased $107,899.98 or .31%. Capital Assets, Net increased by $30,490.25 or 0.10%. The College completed two major renovation projects in 2015, the roof repairs on Buildings B and D at the Pasquotank County campus and the renovation and expansion of the Welding facility in Building C. The College also continued to dispose of obsolete equipment that resulted in a net loss of $78,304.65.

The College has recognized a deferred outflow related to pensions in the amount of $774,077.00, representing employer contributions in the current year and changes to the proportion during the measurement period. The deferred outflow represents a consumption of net assets that is appreciable to a future reporting period.

Total liabilities increased by $820,539.42 or 63.83%. This is the result of the recognition of the net pension liability in the amount of $641,900 and capital leases payable for copier equipment in the amount of $334,484.18.

The College has recognized a deferred inflow related to pensions in the amount of $2,318,371.00 representing difference between projected and actual investment earnings and expected and actual experience. The deferred inflow represents an acquisition of net assets that is appreciable to a future reporting period.

The items described above resulted in a decrease in the net position of $2,472,803.40. Changes in net position are the product of current year operations and GASB 68 reporting requirements. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the College's net position changed during the most recent fiscal year. Revenues and expenses are presented in a format that distinguishes between operating and non-operating revenues and expenses.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2015	2014	Increase (Decrease)	Percent Change
Operating Revenue				
Student Tuition and Fees, Net	$ 2,308,225.52	$ 2,291,413.20	$ 16,812.32	0.73%
Grants and Contracts	215,486.47	246,836.08	(31,349.61)	-12.70%
Sales and Services, Net	265,372.00	301,887.50	(36,515.50)	-12.10%
Other Operating Revenues	12,872.53	17,194.34	(4,321.81)	-25.14%
Total Operating Revenue	2,801,956.52	2,857,331.12	(55,374.60)	-1.94%
Operating Expenses				
Salaries and Benefits	13,018,818.56	13,622,060.31	(603,241.75)	-4.43%
Other Expenses	7,970,410.07	8,931,644.74	(961,234.67)	-10.76%
Total Operating Expenses	20,989,228.63	22,553,705.05	(1,564,476.42)	-6.94%
Operating Loss	(18,187,272.11)	(19,696,373.93)	1,509,101.82	-7.66%
Nonoperating Revenue				
State Aid	11,511,331.48	11,543,538.42	(32,206.94)	-0.28%
County Appropriations	2,235,890.30	2,221,100.24	14,790.06	0.67%
Noncapital Grants and Gifts	4,045,895.49	4,879,816.56	(833,921.07)	-17.09%
Other Nonoperating Revenue	197,621.53	(69,181.77)	266,803.30	-385.66%
Total Nonoperating Revenue	17,990,738.80	18,575,273.45	(584,534.65)	-3.15%
Loss Before Other Revenue	(196,533.31)	(1,121,100.48)	924,567.17	-82.47%
Other Revenues	373,565.91	217,273.18	156,292.73	71.93%
Decrease in Net Position	$ 177,032.60	$ (903,827.30)	$1,080,859.90	-119.59%

Total operating revenues for College of The Albemarle decreased by 1.94%, or $55,374.60. The College had a modest increase in tuition and fees revenues of $16,813.32 or 0.73%. State tuition rates increased by 50 cents per credit hour for in-state and out of state students. Operating grant revenues declined $31,349.64 or 12.70%. This is the result of a reduction of federal grant funds available for the Basic and Transitional Studies program. The federal funding sources available to this program have declined from $207,777 in 2014 to $129,874 in 2015.

Total nonoperating revenues decreased by 3.15%, or $584,534.65. Nonoperating revenues include State and county appropriations as well as Federal Financial Aid including Pell Grant. The increase in county funding is due to increased allocations from Pasquotank County to support the operations of the Pasquotank County campus. Noncapital grants had the largest decline of 17.09% or $833,921.07. Federal Financial aid is included in this caption and it declined from $4,207,968.91 in 2014 to $3,680,646.18. The decline is the result of both a decline in student enrollment and a decline in student eligibility for Pell. Other revenues, including capital grants, increased by $156,292.73 or 71.93%. The increase in capital grants is the result of Pasquotank County's commitment to the renovation and repair of the roofs and the welding facility on the main campus.

Operating expenses for the fiscal year 2015 decreased by $1,564,476.42 or 6.94%. Salaries and benefits expense decreased by 4.43% and other expenses decreased by 10.76%. Depreciation expenses increased by $102,399.39 and utilities increased by $9,408.34.

Economic Forecast

The College is anticipating an enrollment decline in fiscal year 2015-2016 of between 5-7%. The decline may be accelerated as the result of a tuition increase that will be in effect for the 2016 spring semester. The tuition rates will increase by $4 per credit hour for both in-state and out-of-state students. This may impact college affordability for a portion of students, particularly those not eligible for federal financial aid. As such the College will continue to cut costs while maintaining a high level of service.

Request for Information

Request for information should be addressed to the Chief Financial Officer, College of The Albemarle, 1208 N Road Street, PO Box 2327, Elizabeth City, NC 27909, (252) 335-0821.

College of The Albemarle
Statement of Net Position
June 30, 2015 — *Exhibit A-1*

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 2,356,500.04
Restricted Cash and Cash Equivalents	299,291.13
Receivables, Net (Note 3)	181,565.77
Inventories	58,173.65
Prepaid Items	51,346.76
Total Current Assets	2,946,877.35
Noncurrent Assets:	
Restricted Due from Primary Government	660,372.12
Capital Assets - Nondepreciable (Note 4)	1,849,807.36
Capital Assets - Depreciable, Net (Note 4)	29,456,383.38
Total Noncurrent Assets	31,966,562.86
Total Assets	34,913,440.21
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	774,007.00
Total Deferred Outflows of Resources	774,007.00
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 5)	518,276.60
Due to Primary Government	2,999.86
Unearned Revenue	57,249.21
Funds Held for Others	101,230.81
Long-Term Liabilities - Current Portion (Note 6)	189,576.49
Total Current Liabilities	869,332.97
Noncurrent Liabilities:	
Long-Term Liabilities (Note 6)	1,236,813.11
Total Noncurrent Liabilities	1,236,813.11
Total Liabilities	2,106,146.08
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	2,318,371.00
Total Deferred Inflows of Resources	2,318,371.00
NET POSITION	
Net Investment in Capital Assets	31,306,190.74
Restricted for:	
Expendable:	
Scholarships and Fellowships	84,296.18
Loans	1,743.90
Capital Projects	713,727.63
Other	32,818.02
Unrestricted	(875,846.34)
Total Net Position	$ 31,262,930.13

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

College of The Albemarle
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2015 — *Exhibit A-2*

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	$	2,308,225.52
Federal Grants and Contracts		149,393.93
State and Local Grants and Contracts		58,092.54
Nongovernmental Grants and Contracts		8,000.00
Sales and Services, Net (Note 8)		265,372.00
Other Operating Revenues		12,872.53
Total Operating Revenues		2,801,956.52
EXPENSES		
Operating Expenses:		
Salaries and Benefits		13,018,818.56
Supplies and Materials		1,477,999.69
Services		1,928,056.11
Scholarships and Fellowships		2,650,337.36
Utilities		719,514.77
Depreciation/ Amortization		1,194,502.14
Total Operating Expenses		20,989,228.63
Operating Loss		(18,187,272.11)
NONOPERATING REVENUES (EXPENSES)		
State Aid		11,511,331.48
County Appropriations		2,235,890.30
Noncapital Grants - Student Financial Aid		3,796,173.49
Noncapital Grants		249,722.00
Noncapital Gifts, Net		239,071.75
Investment Income		2,592.91
Nonoperating Expenses		(44,043.13)
Net Nonoperating Revenues		17,990,738.80
Loss Before Other Revenues, Expenses, Gains, and Losses		(196,533.31)
County Capital Aid		242,500.00
Capital Grants		64,153.91
Capital Gifts, Net		66,912.00
Increase in Net Position		177,032.60
NET POSITION		
Net Position, July 1, 2014 as Restated (Note 13)		31,085,897.53
Net Position, June 30, 2015	$	31,262,930.13

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

College of The Albemarle
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 2,760,598.91
Payments to Employees and Fringe Benefits	(13,480,125.77)
Payments to Vendors and Suppliers	(4,286,740.42)
Payments for Scholarships and Fellowships	(2,650,104.80)
Other Receipts (Payments)	54,095.45
Net Cash from Operating Activities	(17,602,276.63)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	11,511,331.48
County Appropriations	2,235,890.30
Noncapital Grants - Student Financial Aid	3,803,593.65
Noncapital Grants	249,722.00
Noncapital Gifts and Endowments	239,071.75
Net Cash from Noncapital Financing Activities	18,039,609.18
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	13,800.00
County Capital Aid	242,500.00
Capital Grants	414,153.91
Capital Gifts	66,912.00
Proceeds from Sale of Capital Assets	7,870.24
Acquisition and Construction of Capital Assets	(947,542.14)
Principal Paid on Capital Debt and Leases	(34,329.84)
Net Cash from Capital and Related Financing Activities	(236,635.83)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	2,351.56
Net Cash from by Investing Activities	2,351.56
Net Increase in Cash and Cash Equivalents	203,048.28
Cash and Cash Equivalents, July 1, 2014	2,452,742.89
Cash and Cash Equivalents, June 30, 2015	$ 2,655,791.17

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

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (18,187,272.11)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/ Amortization Expense	1,194,502.14
Pension Expense	282,213.00
Nonoperating Other Income (Expenses)	26,391.28
Changes in Assets, Liabilities, and Deferred Outflows of Resources:	
Receivables, Net	10,615.34
Inventories	11,191.12
Prepaid Items	(51,346.76)
Accounts Payable and Accrued Liabilities	(116,935.97)
Due to Primary Government	42.08
Unearned Revenue	(30,066.22)
Funds Held for Others	5,153.70
Deferred Outflows - Contributions After the Measurement Date	(745,785.00)
Compensated Absences	(979.23)
Net Cash Used by Operating Activities	$ (17,602,276.63)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	$ 2,356,500.04
Restricted Cash and Cash Equivalents	299,291.13
Total Cash and Cash Equivalents - June 30, 2015	$ 2,655,791.17

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	$ 368,814.00
Assets Acquired through a Gift	$ 66,912.00
Increase in Receivables Related to Nonoperating Income	$ 241.35
Loss on Disposal of Capital Assets	$ (70,434.41)

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

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

ASSETS		
Cash and Cash Equivalents	$	865,613.85
Investments		5,629,629.69
Assets Held in Charitable Trusts and Annuities		1,418,040.20
Real Estate Held for Resale		735,000.00
Receivables, Net		23,777.68
Pledges Receivable		7,181.99
Inventories		1,987.61
Property and Equipment, Net		333,600.00
Total Assets	$	9,014,831.02
LIABILITIES		
Accounts Payable and Accrued Expenses	$	22,248.72
Split Interest Agreement Obligations		153,504.96
Total Liabilities		175,753.68
NET ASSETS		
Unrestricted		1,062,849.65
Temporarily Restricted		3,420,185.02
Permanently Restricted		4,356,042.67
Total Net Assets		8,839,077.34
Total Liabilities and Net Assets	$	9,014,831.02

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

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

REVENUES	
Contributions	$ 385,143.07
Donated Services	140,410.88
Change in Value of Split Interest Agreement	56,541.49
Total Operating Revenue	582,095.44
EXPENSES	
Operating Expenses	
Administration	60,014.55
Development	33,394.40
In-Kind Salary	140,410.88
Investment Expense	33,699.36
Distribution to Beneficiary	99,296.32
Scholarships	196,913.05
College Support	151,908.69
Total Operating Expenses	715,637.25
Operating Loss	(133,541.81)
NONOPERATING REVENUES (EXPENSES)	
Interest and Dividend Income	187,892.56
Net Realized and Unrealized Gains and Losses	172,845.38
Other Income	8,186.53
Total Nonoperating Revenues	368,924.47
Increase in Net Assets	235,382.66
NET ASSETS	
Net Assets at Beginning of Year (July 1, 2014)	8,603,694.68
Net Assets at End of Year (June 30, 2015)	$ 8,839,077.34

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. College of The Albemarle 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 College's discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness. See below for further discussion of the College's component units.

Discretely Presented Component Unit - The College of The Albemarle Foundation, Inc. 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 Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation is governed by a 23-member board consisting of 4 ex-officio directors and 19 elected directors. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is considered to be a governmental non-profit organization that reports its financial results under generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

During the year ended June 30, 2015, the Foundation distributed $348,821.74 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the College's Business Office, 1208 N Road St., P.O. Box 2327, Elizabeth City, NC 27909 or calling (252) 335-0821.

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

E. Restricted Cash and Cash Equivalents - This classification includes undeposited receipts, cash on deposit with private bank accounts, savings accounts, and deposits restricted for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

F. Receivables - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

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

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

The College capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated software which is capitalized when the value or cost is $1,000,000 or greater and other intangible assets which are capitalized when the value or cost is $100,000 or greater. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 50 years for buildings, and 2 to 30 years for equipment.

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

J. **Deferred Outflows/Inflows of Resources** - Deferred outflows and inflows of resources relate to the pension plan. See Note 10 for further description.

K. **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 2014 *Comprehensive Annual Financial Report.* This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 10 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

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

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

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

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.

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. The College had no Restricted Net Position-Nonexpendable as of June 30, 2015.

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 includes 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 College's Print Shop. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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

R. **New Pronouncements** - During the fiscal year ended June 30, 2015, the College adopted GASB Statement No. 68, *Accounting and Financial Reporting for pensions* – an *Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68.* The cumulative effect of these pronouncements is further disclosed in Note 10 and Note 13.

NOTE 2 - DEPOSITS AND INVESTMENTS

The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling $1,175.00, and deposits in private financial institutions with a carrying value of $2,114,175.95 and a bank balance of $2,217,833.08.

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

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

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

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

At June 30, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes $540,440.22 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2015. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Reconciliation of Deposits - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2015, is as follows:

Cash on Hand	$ 1,175.00
Carrying Amount of Deposits with Private Financial Institutions	2,114,175.95
Investments in the Short-Term Investment Fund	540,440.22
Total Deposits and Investments	$ 2,655,791.17
Deposits	
Current:	
Cash and Cash Equivalents	$ 2,356,500.04
Restricted Cash and Cash Equivalents	299,291.13
Total Deposits and Investments	$ 2,655,791.17

Component Unit - The Foundation deposits funds received into board-designated depositories. As of June 30, 2015, cash on hand was $200.00. The carrying amount of cash on deposit was $865,413.85 and the bank balance was $863,601.83.

The cash on deposit with the State Treasurer was $757,207.11 as of June 30, 2015 and is pooled with state agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool. These monies are invested in accordance with the General Statutes (147-69.1(c) and 147-69.2), and as required by law are "readily convertible into cash". All investments of the fund are held either by the Department of State Treasurer or its agent in the State's name. The fund's uninvested cash is either covered by federal depository insurance or, pursuant to 20 NCAC 7, is collateralized under either the dedicated or pooling method. Of the cash on deposit with private financial institutions at June 30, 2015, $108,206.74 (100%) was covered by federal depository insurance.

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

The following table presents the fair value of investments by type. It also presents the investments subject to interest rate risk at June 30, 2015. 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.

	June 30, 2015	Maturity (in Years)		
Investment Type	**Market Value**	**Less Than 1 Year**	**1 to 5 Years***	**6 to 10 Years***
Debt Securities				
U. S. Treasuries	$ 579,452.01	$ 70,527.33	$ 171,987.67	$ 336,937.01
U. S. Agencies	158,027.24	-	158,027.24	-
Mortgage Pass-Throughs	25,154.64	568.45	4,546.09	20,040.10
State & Local Government	343,627.85	41,158.40	222,273.95	80,195.50
Domestic Corporates	1,583,691.13	195,589.71	827,079.57	561,021.85
Sub-total Debt Sec.	**$2,689,952.87**	**$ 307,843.89**	**$1,383,914.52**	**$ 998,194.46**
Other Securities				
Cash	$ 1,127.41			
Money Market Fund	352,496.14			
Equity Funds	2,872,998.67			
Domestic Stocks	1,131,094.80			
Real Estate	735,000.00			
Total June 30, 2015	$7,782,669.89			

Final maturities only as shown.
Many are callable at earlier dates

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, 2015, the College's investments were rated as follows:

	Fair Value June 30, 2015	AAA Aaa	AA Aa	A
US Treasuries	$ 579,452.01	$ 579,452.01	$ -	$ -
US Agencies	158,027.24	158,027.24	-	-
Mortgage Pass-Throughs	25,154.64	25,154.64	-	-
State and Local Gov't	343,627.85	-	343,627.85	-
Domestic Corporates	1,583,691.13	-	403,691.02	1,180,000.11
TOTALS	$2,689,952.87	$ 762,633.89	$ 747,318.87	$1,180,000.11

Rating Agency : Moody's and/or Standard & Poor's

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 293,912.52	$ 218,224.04	$ 75,688.48
Student Sponsors	73,568.54	-	73,568.54
Intergovernmental	13,239.98	-	13,239.98
Investment Earnings	10,446.87	-	10,446.87
Other	8,621.90	-	8,621.90
Total Current Receivables	$ 399,789.81	$ 218,224.04	$ 181,565.77

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets, Nondepreciable:				
Land and Permanent Easements	$ 1,836,007.36	$ -	$ -	$ 1,836,007.36
Construction in Progress	20,177.14	-	6,377.14	13,800.00
Total Capital Assets, Nondepreciable	1,856,184.50	-	6,377.14	1,849,807.36
Capital Assets, Depreciable:				
Buildings	37,136,834.91	493,867.00	-	37,630,701.91
Machinery and Equipment	3,427,641.67	815,807.18	468,258.40	3,775,190.45
General Infrastructure	967,139.94	-	-	967,139.94
Total Capital Assets, Depreciable	41,531,616.52	1,309,674.18	468,258.40	42,373,032.30
Less Accumulated Depreciation/Amortization for:				
Buildings	10,252,465.11	798,208.80	-	11,050,673.91
Machinery and Equipment	1,585,713.46	371,778.58	389,953.75	1,567,538.29
General Infrastructure	273,921.96	24,514.76	-	298,436.72
Total Accumulated Depreciation	12,112,100.53	1,194,502.14	389,953.75	12,916,648.92
Total Capital Assets, Depreciable, Net	29,419,515.99	115,172.04	78,304.65	29,456,383.38
Capital Assets, Net	$ 31,275,700.49	$ 115,172.04	$ 84,681.79	$ 31,306,190.74

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Accounts Payable	$ 149,012.68
Accrued Payroll	368,904.32
Intergovernmental Payables	359.60
Total Accounts Payable and Accrued Liabilities	$ 518,276.60

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2014 (as restated)	Additions	Reductions	Balance June 30, 2015	Current Portion
Capital Lease Payable	$ -	$ 368,814.00	$ 34,329.84	$ 334,484.16	$ 69,920.05
Net pension liabilitiy (Note 9)	3,369,416.00	-	2,727,516.00	641,900.00	-
Compensated absences	450,984.67	477,521.63	478,500.86	450,005.44	119,656.44
	$ 3,820,400.67	$ 846,335.63	$ 3,240,346.70	$ 1,426,389.60	$ 189,576.49

Additional information regarding capital lease obligations is included in Note 7.
Additional information regarding the net pension liability is included in Note 10.

NOTE 7 - LEASE OBLIGATIONS

A. Capital Lease Obligations – During the year, the College entered into 17 new leases for copier equipment. The terms of the contracts are for 60 monthly installments at a total $6,709.35 a month. The capital lease obligations relating to the 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, 2015:

Fiscal Year	Amount
2016	$ 80,512.44
2017	80,512.44
2018	80,512.44
2019	80,512.44
2020	40,205.39
Total Minimum Lease Payments	$ 362,255.15
Amount Representing Interet (3.5% Rate of Interest)	27,770.99
Present Value of Future Lease Payments	$ 334,484.16

Machinery and equipment acquired under capital lease amounted to $368,814.00 at June 30, 2015.

Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled $34,329.84 at June 30, 2015.

B. Operating Lease Obligations - The College has an operating lease agreement for copier equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2015:

Fiscal Year	Amount
2016	$ 43,236.00
2017	41,736.00
2018	8,563.00
Total Minimum Lease Payments	$ 93,535.00

Rental expense for all operating leases during the year was $143,116.32.

NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 3,921,136.58	$ -	$ 1,543,103.58	$ 69,807.48	$ 2,308,225.52
Sales and Services:					
Sales and Services of Auxiliary Enterprises					
Bookstore	$ 151,971.51	$ -	$ -	$ -	$ 151,971.51
Athletics	235,230.97	235,230.97	-	-	-
Other	113,400.49	-	-	-	113,400.49
Total Sales and Services	$ 500,602.97	$ 235,230.97	$ -	$ -	$ 265,372.00

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 7,438,972.80	$ 969,179.27	$ 466,033.90	$ -	$ -	$ -	$ 8,874,185.97
Academic Support	1,628,690.91	19,452.56	34,246.96	-	-	-	1,682,390.43
Student Services	1,079,117.10	81,958.65	105,162.13	-	-	-	1,266,237.88
Institutional Support	1,664,319.76	187,471.61	921,307.86	-	-	-	2,773,099.23
Operations and Maintenance of Plant	873,054.29	175,955.90	407,674.57	-	719,514.77	-	2,176,199.53
Student Financial Aid	46,958.25	-	-	2,650,337.36	-	-	2,697,295.61
Auxiliary Enterprises	5,492.45	43,981.70	(6,369.31)	-	-	-	43,104.84
Depreciation	-	-	-	-	-	1,194,502.14	1,194,502.14
Pension Expense	282,213.00	-	-	-	-	-	282,213.00
Total Operating Expenses	$ 13,018,818.56	$ 1,477,999.69	$ 1,928,056.11	$ 2,650,337.36	$ 719,514.77	$ 1,194,502.14	$ 20,989,228.63

NOTE 10 - PENSION PLAN

Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit plan established by the State to provide pension benefits for general employees and law enforcement officers

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

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2015 was 9.15% of covered payroll. The College's contributions to the pension plan were $745,785.00, and employee contributions were $489,575.68 for the year ended June 30, 2015.

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

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

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

Net Pension Liability: At June 30, 2015, the College reported a liability of $641,900 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the College's proportion was .05475%, which was a decrease of .00076% from its proportion measured as of June 30, 2013.

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

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

* Salary increases include 3.5% inflation and productivity factor.
** Investment rate of return is net of pension plan investment expense, including inflation.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

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

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

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

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

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

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate	1% Increase (8.25%)
$ 4,671,130.31	$ 641,900.00	$ (2,743,979.39)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2015, the College recognized pension expense of $282,213.00. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ -	$ 149,624.00
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments (see note below)	-	2,168,747.00
Change in proportion and differences between agency's contributions and proportionate share of contributions	28,222.00	-
Contributions subsequent to the measurement date	745,785.00	
Total	$ 774,007.00	$ 2,318,371.00

$745,785 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	Amount
2016	$ (574,219.00)
2017	(574,219.00)
2018	(574,219.00)
2019	(567,492.00)
2020	-
Total	$ (2,290,149.00)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

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

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

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

For the current fiscal year the College contributed 5.49% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2014, and 2013, were 5.4% and 5.3%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, which were $449,960.57, $447,133.03, and $445,724.75, 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.

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2015, the College made a statutory contribution of .41% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2014, and 2013, were .44% in both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2015, 2014, and 2013, which were $33,454.25, $36,433.06, and $37,003.56, 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 12 - RISK MANAGEMENT

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

A. Public Entity Risk Pool

Public School Insurance Fund

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

B. Employee Benefit Plans

1. State Health Plan

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

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

2. Death Benefit Plan of North Carolina

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

C. Other Risk Management and Insurance Activities

1. Automobile, 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 $75,000 deductible. Employees paid in whole are in part from institutional or county funds are covered under private insurance. The Coverage limit is $100,000 per occurrence with $1,000 deductible.

4. Statewide Workers' Compensation Program

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

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

NOTE 13 - NET POSITION RESTATEMENT*(S)*

The implementation of GASB Statement No. 68 and GASB Statement No. 71 requires a restatement of beginning net position. As of July 1, 2014, net position as previously reported was restated as follows:

	Amount
July 1, 2014 Net Position as Previously Reported	$ 33,735,733.53
Restatements:	
Record the College's net pension liability and pension related deferred outflows of resources per GASB 68 requirements	(2,649,836.00)
July 1, 2014 Net Position as Restated	$ 31,085,897.53

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Commitments - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. The College had no outstanding commitments on construction contracts and the outstanding commitment on the early termination of a copier lease was $103,391.28 at June 30, 2015.

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

NOTE 15 - RELATED PARTIES

The Foundation is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net position, or operational transactions of the Foundation, except for support from the Foundation. Support received of $196,251 was included in Noncapital Gifts, Net and Capital Gifts, Net.

NOTE 16 - SUBSEQUENT EVENTS

The College has evaluated subsequent events through January 19, 2016, which is the date the financial statements were available to be issued.

NOTE 17 - AUDIT HOURS AND COST

The audit required 300 hours at an approximate cost of $35,000. The cost represents 0.100% of the College’s total assets and 0.167% of total expenses subject to audit.

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

	2014	2013
(1) Proportionate share percentage of collective net pension liability	**0.05475%**	**0.05551%**
(2) Proportionate Share of TSERS collective net pension liability	$ **641,900.00**	$ **3,370,023.00**
(3) Covered-employee payroll	$ 8,280,241.31	$ 8,409,901.03
(4) Net pension liability as a percentage of covered-employee payroll	7.75%	40.07%
(5) Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.60%

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

		2015	2014	2013	2012	2011
(1)	Contractually required contribution	$ 745,784.99	$ 719,552.95	$ 700,544.76	$ 607,472.10	$ 413,376.22
(2)	Contributions in relation to the contractually determined contribution	745,784.99	719,552.95	700,544.76	607,472.10	413,376.22
(3)	Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
(4)	Covered-employee payroll	$ 8,159,573.20	$ 8,280,241.13	$ 8,409,901.03	$ 8,164,947.64	$ 8,384,913.14
(5)	Contributions as a percentage of covered-employee payroll	9.14%	8.69%	8.33%	7.44%	4.93%

		2010	2009	2008	2007	2006
(1)	Contractually required contribution	$ 309,567.30	$ 294,271.86	$ 260,915.62	$ 217,555.85	$ 177,282.03
(2)	Contributions in relation to the actuarially determined contribution	309,567.30	294,271.86	260,915.62	217,555.85	177,282.03
(3)	Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
(4)	Covered-employee payroll	$ 8,671,353.00	$ 8,758,091.22	$ 8,554,610.63	$ 8,178,791.38	$ 7,576,154.96
(5)	Contributions as a percentage of covered-employee payroll	3.57%	3.36%	3.05%	2.66%	2.34%

College of The Albemarle
Notes to Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
Last Nine Fiscal Years

Changes of Benefit Terms:

Cost of Living Increase

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

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

Cherry Bekaert LLP
CPAs & Advisors

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Board of Trustees
College of The Albemarle
Elizabeth City, 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 College of The Albemarle ("the College") as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2016. Our report includes a reference to other auditors who audited the financial statements of College of The Albemarle Foundation, Inc. (the "Foundation"), as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Charlotte, North Carolina
January 19, 2016