



ABTech

Community College



FINANCIAL STATEMENT REPORT FOR THE YEAR ENDED JUNE 30, 2016



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**ASHEVILLE BUNCOMBE TECHNICAL COMMUNITY COLLEGE
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Report of Independent Auditor

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

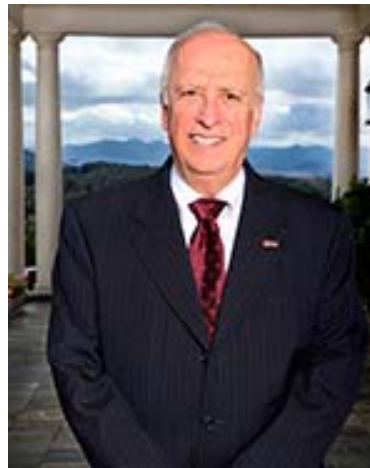
In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other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

Cherry Bekaert LLP

Charlotte, North Carolina
June 2, 2017

ABTech

Community College



VALUES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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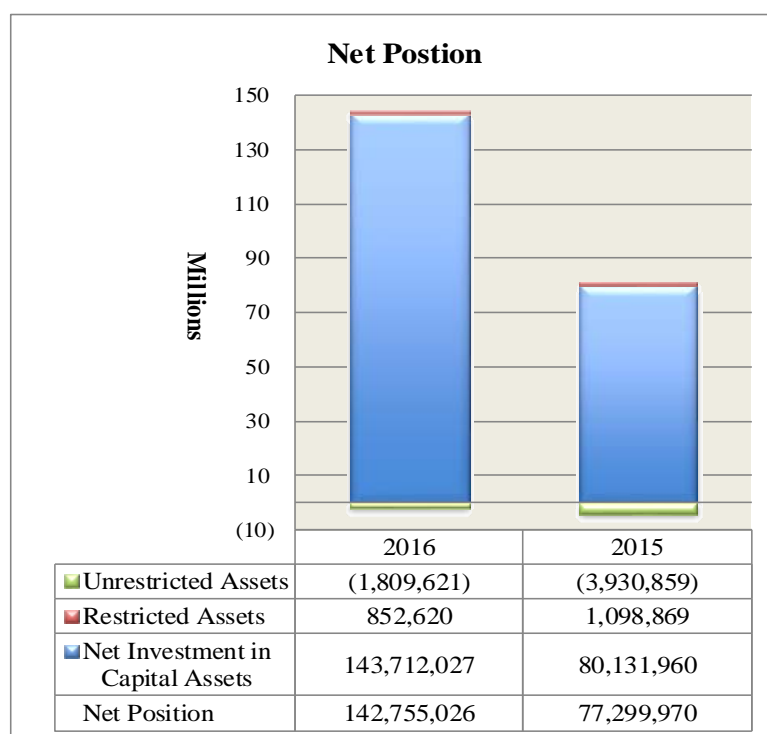


Management Discussion and Analysis

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

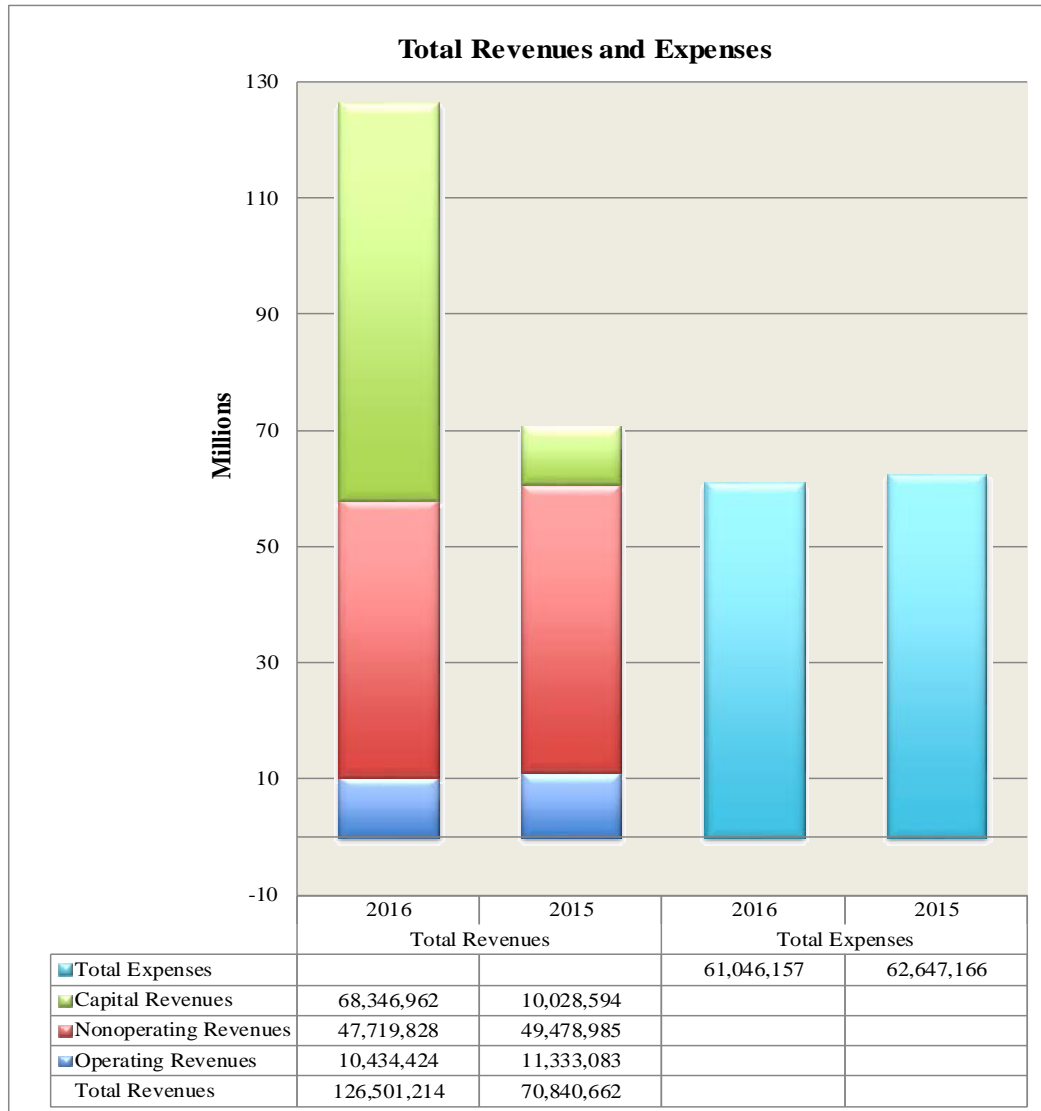
FINANCIAL HIGHLIGHTS

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



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

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





Management Discussion and Analysis (CONTINUED)

USING THE FINANCIAL STATEMENTS

The College's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statements 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No.35, *Basic Financial Statements – Management's Discussion and Analysis – for Public College and Universities*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Accordingly, the College's financial statements are comprised of the following four components:

Statement of Net Position: This statement includes all assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position. The College's net position is an indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the age and condition of its buildings. (Exhibit A-1)

Statement of Revenues, Expenses and Changes in Net Position: This statement presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. This approach is intended to summarize and simplify the presentation of the College's services to the students and public. (Exhibit A-2)

Statement of Cash Flows: This statement presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing and investing activities, and helps measure the ability of the College to meet financial obligations as they mature. (Exhibit A-3)

Notes to the Financial Statements: The notes provide additional information that is essential for a complete understanding of the data provided in the statements.

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



Management Discussion and Analysis (CONTINUED)

OVERVIEW OF FINANCIAL STATEMENTS

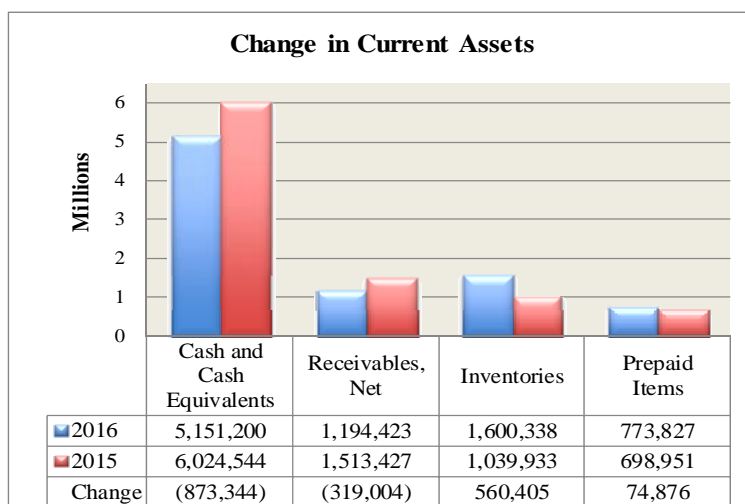
Statement of Net Position

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

Condensed Statements of Net Position For the Year Ended June 30, 2016 With Comparative Data for the Year Ended June 30, 2015				
	2016	2015 (Restated)	Change	
			Amount	Percent
Assets				
Current	\$ 8,719,791	\$ 9,276,855	\$ (557,064)	(6.00%)
Capital Assets, Net	143,864,738	80,325,732	63,539,006	79.10%
Other Noncurrent Assets	333,151	723,116	(389,965)	(53.93%)
Total Assets	152,917,680	90,325,703	62,591,977	69.30%
Deferred Outflows of Resources	2,529,938	2,327,537	202,401	8.70%
Liabilities				
Current	2,784,852	2,906,776	(121,924)	(4.19%)
Noncurrent	8,571,019	5,270,038	3,300,981	62.64%
Total Liabilities	11,355,871	8,176,814	3,179,057	38.88%
Deferred Inflows of Resources	1,336,721	7,176,458	(5,839,737)	(81.37%)
Net Position				
Invested in Capital Assets, Net of Related Debt	143,712,027	80,131,960	63,580,067	79.34%
Restricted	852,620	1,098,869	(246,249)	(22.41%)
Unrestricted	(1,809,621)	(3,930,860)	2,121,239	(53.96%)
TOTAL NET POSITION	\$ 142,755,026	\$ 77,299,969	\$ 65,455,057	84.68%

Assets and Deferred Outflows of Resources

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



- Cash and cash equivalents decreased by \$873,344 from the previous year. The major decrease is related to institutional funds. The primary change is a result of satisfaction of expenses released from restriction associated with grant funded projects as well as satisfaction of payable related to the Department of Education.
- Net receivables decreased by \$319,004 principally due to a reduction in the amount of the College's settlement receivable.
- Inventory increased by \$560,405 year over year primarily associated with the Bookstore and the addition of the new Health and Fitness Science program and the Occupational Therapy Assistant program. There was also an increase in classes offered in the Aviation program.
- Prepaid items increased by \$74,876 compared to the previous year, which is attributable to membership and software subscriptions that were paid in FY2016, but the majority of the covered period are in FY 2017.

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



Management Discussion and Analysis (CONTINUED)

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

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

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

Liabilities and Deferred Inflows of Resources

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

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

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

Net Position

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

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



Management Discussion and Analysis (CONTINUED)

- Restricted net position decreased by \$246,249 attributed primarily to the satisfaction of grant-funded initiatives associated with the WNC Industrial Maintenance Academy and the Composite Materials Center of Excellence.
- Unrestricted net position increased by \$2,121,239 primarily due to the reduction of operating expenses and the restatement of prior year intergovernmental payable of \$793,958 (see Note 17).

Statement of Revenues and Expenses and Change in Net Position

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

Statements of Revenues and Expenses and Changes in Net Position For the Year Ended June 30, 2016 with Comparative Data for the Year Ended June 30, 2015				
	2016	2015 (Restated)	Change	
			Amount	Percent
Operating Revenues				
Student Tuition & Fees	\$ 7,785,377	\$ 8,308,637	\$ (523,260)	(6.30%)
Sales and Services	2,649,047	2,998,994	(349,947)	(11.67%)
Other Revenues	-	25,452	(25,452)	(100.00%)
Total Operating Revenues	10,434,424	11,333,083	(898,659)	(7.93%)
Operating Expenses				
Salaries and Benefits	35,912,542	37,574,317	(1,661,775)	(4.42%)
Supplies & Materials	7,336,362	8,408,742	(1,072,380)	(12.75%)
Services	6,037,582	5,196,663	840,919	16.18%
Scholarships	6,444,269	6,641,170	(196,901)	(2.96%)
Utilities	1,651,119	1,605,127	45,992	2.87%
Depreciation Amortization	3,664,283	3,221,147	443,136	13.76%
Total Operating Expenses	61,046,157	62,647,166	(1,601,009)	(2.56%)
Nonoperating Revenues/(Expenses)				
Government Appropriations	33,264,407	35,019,026	(1,754,619)	(5.01%)
Grants & Gifts	14,772,879	14,386,966	385,913	2.68%
Investment Income	34,149	13,816	20,333	147.17%
Other Nonoperating Expenses	(351,607)	59,177	(410,784)	(694.16%)
Total Nonoperating Revenues, Net	47,719,828	49,478,985	(1,759,157)	(3.56%)
Capital Contributions				
Government Appropriations	2,604,810	3,346,912	(742,102)	(22.17%)
Grants & Gifts	65,742,152	6,681,682	59,060,470	883.92%
Total Capital Contributions	68,346,962	10,028,594	58,318,368	581.52%
INCREASE IN NET POSITION	\$ 65,455,057	\$ 8,193,496	\$ 57,261,561	698.87%

Operating Revenues

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

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

Operating Expenses

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

- Salaries and Benefits declined by 4.42% or \$1,661,775 due primarily to a reduction in employees and the recognition of pension expense related to Deferred Outflows of Resources and Deferred Inflows of Resources from FY2015 to FY2016.
- Supplies and Materials expenses reflect a 12.75% decrease which can be highly attributed to the College's savings by closing the A-B Tech Early Education Center.
- Services expense increased by \$840,919. The College expended instruction in local industries during the year, thereby, increasing services. Additional factors are related to grant evaluation services associated with the National Science Foundation STEM grants.
- Scholarships declined by \$196,901 or 2.96% year over year. This change can be attributed to the combination of scholarship discounts and ineligible applicants who did not meet the academic requirements.
- Utilities slightly increased by 2.87% as the College began operating the A-B Tech – Mission Health Conference Center and the Ferguson Center for Allied Health and Workforce Development.
- Depreciation increased by \$72,461 as more capital assets have been purchased and placed in service.



Management Discussion and Analysis (CONTINUED)

Nonoperating Revenues

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

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

Capital Contributions

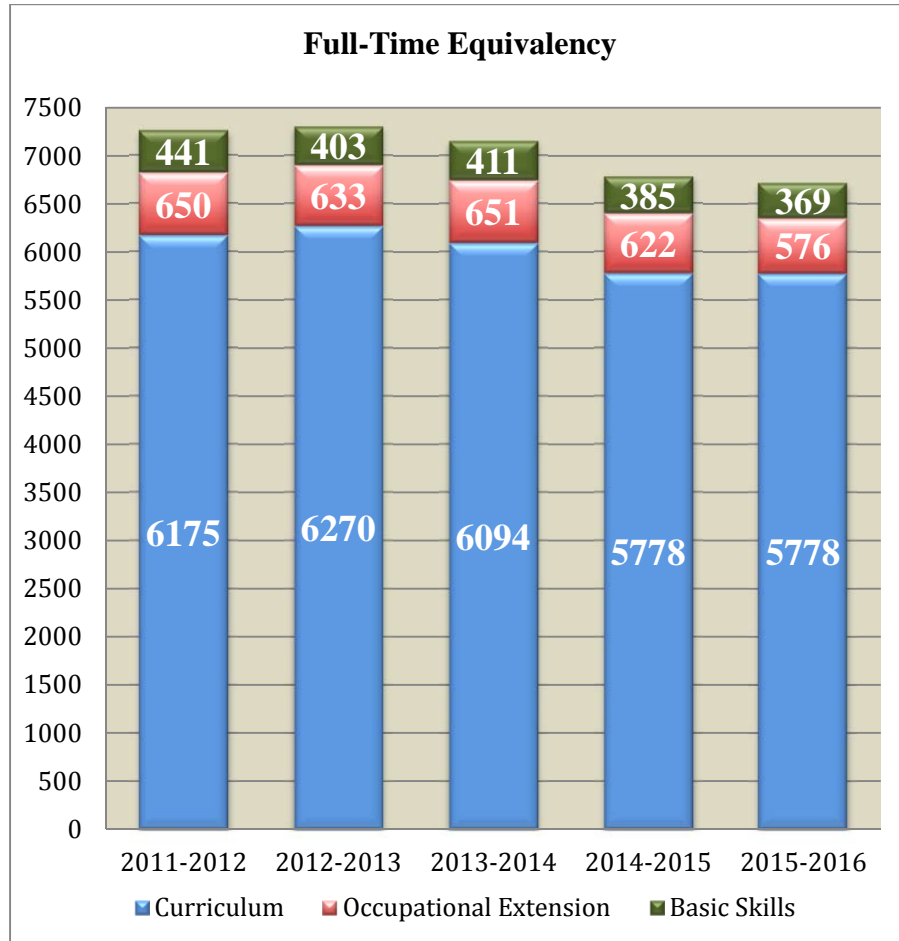
Capital contributions consist of state, and county appropriations as well as grants and gifts for equipment, construction, building improvements, and infrastructure.

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

THE COLLEGE'S FINANCIAL POSITION

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

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



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

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



Management Discussion and Analysis (CONTINUED)

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

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

THE COLLEGE'S FINANCIAL FUTURE

What can the College expect in the future?

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

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



Management Discussion and Analysis (CONTINUED)

REQUEST FOR INFORMATION

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

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

ABTech

Community College



VISION

- Changing Lives
- Strengthening Communities

FINANCIAL STATEMENTS

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Statement of Net Position

June 30, 2016

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 4,712,919
Restricted Cash and Cash Equivalents	438,281
Receivables, Net (Note 4)	1,189,722
Inventories	1,600,338
Prepaid Items	773,830
Notes Receivable, Net (Note 4)	4,701

Total Current Assets	<u>8,719,791</u>
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	198,151
Restricted Due from Primary Government	135,000
Capital Assets - Nondepreciable (Note 5)	6,220,544
Capital Assets - Depreciable, Net (Note 5)	137,644,194

Total Noncurrent Assets	<u>144,197,889</u>
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Total Assets	<u>152,917,680</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions (Note 11)	<u>2,529,938</u>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	973,910
Due to Primary Government	7,677
Unearned Revenue	618,823
Funds Held for Others	412,051
Long-Term Liabilities - Current Portion (Note 7)	772,391

Total Current Liabilities	<u>2,784,852</u>
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Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	<u>8,571,019</u>
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Total Liabilities	<u>11,355,871</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions (Note 11)	<u>1,336,721</u>
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NET POSITION

Net Investment in Capital Assets	143,712,027
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Restricted for:

Nonexpendable:

Scholarships and Fellowships	2,250
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Expendable:

Scholarships and Fellowships	43,313
Loans	2,555
Capital Projects	218,136
Restricted for Specific Programs	586,366

Unrestricted	<u>(1,809,621)</u>
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Total Net Position	<u>\$ 142,755,026</u>
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The accompanying notes to the financial statements are an integral part of this statement.



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

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 9)	\$ 7,785,377
Sales and Services, Net (Note 9)	2,649,047
Total Operating Revenues	<u>10,434,424</u>

EXPENSES

Operating Expenses: (Note 10)

Salaries and Benefits	35,912,542
Supplies and Materials	7,336,362
Services	6,037,582
Scholarships and Fellowships	6,444,269
Utilities	1,651,119
Depreciation/ Amortization	3,664,283
Total Operating Expenses	<u>61,046,157</u>
Operating Loss	<u>(50,611,733)</u>

NONOPERATING REVENUES (EXPENSES)

State Aid	26,695,386
County Appropriations	6,569,021
Noncapital Grants - Student Financial Aid	10,566,611
Noncapital Grants - Other	2,917,470
Noncapital Gifts	1,288,798
Investment Income	34,149
Interest and Fees on Debt	(8,808)
Other Nonoperating Revenues (Expenses)	<u>(342,799)</u>
Net Nonoperating Revenues	<u>47,719,828</u>
Loss Before Capital Contributions	(2,891,905)
State Capital Aid	2,604,810
Capital Grants	199,542
Capital Gifts	<u>65,542,610</u>
Increase in Net Position	65,455,057

NET POSITION

Net Position, July 1, 2015 (Restated, Note 16)	<u>77,299,969</u>
Net Position, June 30, 2016	<u><u>\$ 142,755,026</u></u>

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



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

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 10,065,326
Payments to Employees and Fringe Benefits	(37,720,734)
Payments to Vendors and Suppliers	(16,001,908)
Payments for Scholarships and Fellowships	(6,444,269)
Loans Issued to Students	(381,351)
Collection of Loans to Students	403,879
Other Receipts	195,361
	<hr/>
Net Cash from Operating Activities	(49,883,696)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	26,695,386
County Appropriations	6,569,021
Noncapital Grants - Student Financial Aid	10,566,611
Noncapital Grants Received	2,673,407
Noncapital Gifts and Endowments Received	1,288,798
	<hr/>
Net Cash from Noncapital Financing Activities	47,793,223

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	2,604,810
Capital Grants Received	199,542
Acquisition and Construction of Capital Assets	(1,839,244)
Principal Paid on Capital Debt and Leases	(41,061)
Interest Paid on Capital Debt and Leases	(8,808)
	<hr/>
Net Cash from Capital and Related Financing Activities	915,239

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments and Related Fees	34,149
	<hr/>
Net Cash from Investing Activities	34,149
	<hr/>
Net Decrease in Cash and Cash Equivalents	(1,141,086)
Cash and Cash Equivalents, July 1, 2015	6,490,438
	<hr/>
Cash and Cash Equivalents, June 30, 2016	\$ 5,349,352

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



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

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

Operating Loss	\$ (50,611,733)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,664,283
Provision for Uncollectible Loans and Write-Offs	(8,521)
Pension Expense	709,421
Miscellaneous Nonoperating Income	91,305
Nonoperating Other Income (Expenses)	(199,690)
Changes in Assets and Liabilities:	
Receivables, Net	62,702
Inventories	(560,405)
Prepaid Items	(74,877)
Notes Receivable, Net	22,528
Accounts Payable and Accrued Liabilities	(336,893)
Due to Primary Government	6,568
Unearned Revenue	(354,066)
Funds Held for Others	317,320
Deferred Outflows - Contributions After the Measurement Date	(2,108,587)
Compensated Absences	(503,051)
Net Cash Used by Operating Activities	<u><u>\$ (49,883,696)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 4,712,919
Restricted Cash and Cash Equivalents	438,281
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>198,151</u>
Total Cash and Cash Equivalents - June 30, 2016	<u><u>\$ 5,349,351</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Gifts	\$ 65,542,610
Increase in Receivables Related to Nonoperating Income	239,337
Loss on Disposal of Capital Assets	(143,109)

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



Statement of Financial Position

June 30, 2016

Exhibit B-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	2,729,969
Contributions Receivable		1,074,067
Other Current Assets		65,008
Total Current Assets		3,869,044

Non-Current Assets:

Foundation Endowment - Restricted		5,154,309
Long-Term Pledge Receivable (Net)		2,541,608
Charitable Remainder Trusts Receivable (Net)		1,543,648
Total Non-Current Assets		9,239,565
Total Assets	\$	13,108,609

LIABILITIES

Current Liabilities:

Accounts Payable	\$	89
Funds Held for Others		9,305
Total Current Liabilities		9,394

NET ASSETS

Unrestricted		389,913
Temporarily Restricted		9,138,655
Permanently Restricted		3,570,647
Total Net Assets		13,099,215
Total Liabilities and Net Assets	\$	13,108,609

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



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

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

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

ABTech

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



NOTES TO FINANCIAL STATEMENTS

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

- E. Foundation Endowment** – Investments generally are reported at fair value, as determined by quoted market prices or estimate amounts determined by management if quoted market prices are not available. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.
- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using last invoice cost method. Merchandise for resale is valued using the average cost method
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs.

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

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

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

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

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

- J. Deferred Outflows of Resources** - The Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The College has one item that meets this criterion: contributions made in the current fiscal year to the Teachers' and State Employees' Retirement System (TSERS).
- K. Unearned Revenue** - Unearned revenue includes the portion of student tuition and fees for summer programs which have been received as of June 30 of the year, but not earned; scholarship and grant income that has been received but not expended; and unearned revenue for certain ongoing projects.
- L. Funds Held for Others** - Funds Held for Others consist primarily of Agency Scholarships and Direct Loans that have not yet been disbursed to the respective students.
- M. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include net pension liability, capital lease obligations, and compensated absences that will not be paid within the next fiscal year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- T. **County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use by the College.
- U. **Defined Benefit Pension Plan** - For purpose of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, information about the fiduciary net position of TSERS and additions to/deduction from TSERS' fiduciary net position have been determined on the same basis as they are reported by TSERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The College's contributions are recognized when due and the College has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS. Investments are reported at fair value.
- V. **New Pronouncements** - During the fiscal year ended June 30, 2016, the College adopted GASB Statement No. 72, *Fair Value Measurement and Application*. See Note 3 for the new disclosure related to the College's implementation of the standard.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

At June 30, 2016, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$5,228,770, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2016. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- B. Component Unit** - Investments of the College's discretely presented component unit, the Foundation, are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. The Foundation has established an account with the Community Foundation of Western North Carolina, Inc. (CFWNC), for its permanently restricted endowment funds. It allows the distribution of an annual spendable amount from investment income as provided for in the CFWNC's investment and distribution policies. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. Following is a summary of CFWNC activity:

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

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

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

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

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs and may require a degree of professional judgment.

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

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

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

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

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



Notes to the Financial Statements

June 30, 2016

(continued)

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

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

NOTE 4 - RECEIVABLES

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

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



Notes to the Financial Statements June 30, 2016 (continued)

Note 5 - CAPITAL ASSETS

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

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

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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



Notes to the Financial Statements June 30, 2016 (continued)

NOTE 7 - LONG-TERM LIABILITIES

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

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

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

NOTE 8 - LEASE OBLIGATIONS

A. Capital Lease Obligations - Capital lease obligations relating to copiers are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2016:

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

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

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



Notes to the Financial Statements

June 30, 2016

(continued)

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

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

NOTE 9 - REVENUES

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

	<u>Gross Revenues</u>	<u>Internal Sales Eliminations</u>	<u>Less Scholarship Discounts</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
Operating Revenues:					
Student Tuition and Fees	<u>\$11,925,771</u>	<u>\$ -</u>	<u>\$ 4,241,942</u>	<u>\$ (101,548)</u>	<u>\$ 7,785,377</u>
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	3,880,649	57,620	1,676,401	(10,960)	2,157,588
Rent	253,920	-	-	-	253,920
Vending	61,592	-	-	-	61,592
Motor Pool	15,647	10,126	-	-	5,521
Other	2,356	-	-	-	2,356
Sales and Services of Education and Related Activities	<u>168,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,070</u>
Total Sales and Services	<u>\$ 4,382,234</u>	<u>\$ 67,746</u>	<u>\$ 1,676,401</u>	<u>\$ (10,960)</u>	<u>\$ 2,649,047</u>



Notes to the Financial Statements

June 30, 2016 (continued)

Note 10 - OPERATING EXPENSES BY FUNCTION

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

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

NOTE 11 - PENSION PLANS

Defined Benefit Plan

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

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

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

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

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2015 *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The investment balance of each pension trust fund represents its share of the fair

market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2015 *Comprehensive Annual Financial Report*.

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

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

Valuation Date	12/31/2014
Inflation	3%
Salary Increases*	4.25% - 9.10%
Investment Rate of Return**	7.25%

* Salary increases include 3.5% inflation and productivity factor.

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

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

The actuarial assumptions used in the December 31, 2014 valuations were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (the valuation date) are summarized in the following table:

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

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

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

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

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

Net Pension Liability (Asset)		
<u>1% Decrease (6.25%)</u>	<u>Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
\$18,118,957	\$6,020,139	(\$4,247,103)

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

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

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

The amount of \$2,108,587 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

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

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

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

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

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

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

NOTE 13 - RISK MANAGEMENT

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

A. Public Entity Risk Pool

Public School Insurance Fund

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

B. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

3. Dental Plan

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

C. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

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

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

4. Statewide Workers' Compensation Program

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

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES

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

Litigation and Claims - The College is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. College management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the College.

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

NOTE 15 - RELATED PARTIES

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



Notes to the Financial Statements

June 30, 2016
(continued)

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

NOTE 16 - CORRECTION OF AN ERROR/RESTATEMENT

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

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

NOTE 17 - SUBSEQUENT EVENTS

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

NOTE 18 - AUDIT HOURS AND COST

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

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



REQUIRED SUPPLEMENTARY INFORMATION

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Required Supplementary Information June 30, 2016

Teachers' and State Employees' Retirement System *Last Three Fiscal Years*

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



Required Supplementary Information June 30, 2016

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

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

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



Notes to Required Supplementary Information
June 30, 2016

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

For the Fiscal Year Ended June 30, 2016

Changes of Benefit Terms:

Cost of Living Increase

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

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

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

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



COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Asheville-Buncombe Technical Community College (the "College") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated June 2, 2017.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2016-001 to be a material weakness.

Compliance and Other Matters

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

College's Response to Finding

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

Purpose of this Report

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

Cherry Bekaert LLP

Charlotte, North Carolina
June 2, 2017

ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

FOR THE YEAR ENDED JUNE 30, 2016

2016-001 Controls over Financial Reporting

- a. **Criteria:** Controls over financial reporting should ensure that the appropriate year-end reconciliations and closing entries are properly identified and recorded for financial statement reporting purposes to ensure that no significant or material journal entries would result from the audit process.
- b. **Condition:** During our audit, we noted there wasn't support to carry certain funds held for others on the Statement of Net Position of the College. As a result, a material prior period adjustment was made to correct the balance.
- c. **Cause:** The correction was due to oversight on the part of the College with regard to year-end accrual entries and closing procedures.
- d. **Effect:** There is a risk that the financial statements might be materially misstated if there are not sufficient controls in place over the year-end entries and closing and preparation and review of financial statements.
- e. **Recommendation:** We recommend that the College implement a more comprehensive review specifically of the accrual transactions at year-end in order to ensure the College's financial statements are free from errors. We also recommend the College review current accounting policies and procedures to ensure proper cutoff of expenses and accruals.
- f. **Management response and corrective action plan:** Management agrees with the finding and recommendation. The College has had significant turnover from management to staff during the current year under audit. Current management has instituted procedures to prevent this from taking place again.

ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2016

2015-01 – Financial Aid Program Review

- a. **Criteria:** Asheville-Buncombe Technical Community College (the “College”) receives federal awards from the U.S. Department of Education (the “Department”). As a recipient of these funds, the College must comply with federal regulations as they pertain to the administration of Title IV programs.
- b. **Condition:** As reported in 2014, the Department performed a program review in which it identified 23 initial findings. These findings are not final until the Department issues a “Final Program Review Determination” letter.
- c. **Effect:** In 2014, the College accrued an estimated liability in the amount of \$738,314 for federal funds it expects to be returned to the Department. Subsequent to June 30, 2015, the College received a final determination from the Department requiring the College to repay \$670,738 and the accrued liability was adjusted accordingly.
- d. **Current Status:** Corrected