

EDGECOMBE COMMUNITY COLLEGE
(A Component Unit of the State of North Carolina)

FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

And Report of Independent Auditor

**EDGECOMBE COMMUNITY COLLEGE
TABLE OF CONTENTS**

Report of Independent Auditor	1
Management’s Discussion and Analysis	3
Financial Statements	
College Exhibits	
A-1 Statement of Net Position	10
A-2 Statement of Revenues, Expenses, and Changes in Net Position	11
A-3 Statement of Cash Flows	12
Component Unit Exhibits	
B-1 Statement of Financial Position	14
B-2 Statement of Activities.....	15
Notes to Financial Statements.....	16
Required Supplementary Information.....	40
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	43

Report of Independent Auditor

Members of the Board of Trustees
Edgecombe Community College
Tarboro, North Carolina

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Foundation which is presented as component unit exhibits in the accompanying table of contents. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College and the Foundation, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Charlotte, North Carolina
December 14, 2016

EDGECOMBE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis is to provide an overview of the financial position and activities of Edgecombe Community College for the year ended June 30, 2016. The Management Discussion and Analysis section will:

- provide a brief discussion of the basic financial statements;
- include summary financial information, which will identify transactions, which have had a significant financial impact;
- provide an analysis of the institution's overall financial position;
- provide a description of significant capital asset activity during the year;
- include information, facts, decisions or conditions that are expected to have a significant effect on Edgecombe Community College's financial position;
- provide a comparative analysis with prior year data.

This section should be read in conjunction with the financial statements and accompanying notes to the financial statements, which follow this section. The financial statements, related notes to the financial statements, and this discussion are the responsibility of management.

Financial Highlights

State funds for Community Colleges in North Carolina are appropriated by the North Carolina General Assembly and distributions are made by the North Carolina State Board of Community Colleges based on full-time equivalencies (FTE) earned in the academic year.

The total budget FTE for all 58 community colleges in North Carolina declined 2.4% for the fiscal year 2015-2016. However, Edgecombe Community College's total budget FTE declined from 2,782 to 2,482 dropping 300 FTE or a 10.8% drop from the preceding year.

Construction of the Edgecombe Community College Biotech and Medical Simulation Center was completed in November 2015. Classes began in the building in January with the start of the Spring semester.

A \$1 billion "Connect NC" state bond issue was passed. Of the \$1 billion, Edgecombe Community College's share is \$7.2 million. These funds became available in August 2016. Edgecombe Community College plans to design and construct a 24,000 square foot facility which will be named The Center for Innovation. This building will be constructed on the Tarboro campus.

EDGECOMBE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Using the Annual Financial Report

The annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

Three basic financial statements are included in this report along with the required supplementary information: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The College's net position is one indicator of its financial stability. The Statement of Net Position includes all assets, liabilities and deferred outflows/inflows of resources. The increase or decrease in net position is an indicator of the improvement or erosion of the College's financial condition.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the fiscal year. Activities are reported as operating, nonoperating and capital aid. A college's dependency on state aid and gifts could result in operating deficits because the financial reporting model classifies state appropriations and gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation/amortization.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, and capital financing and related investing activities. The direct method is used to present cash flows.

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

EDGECOMBE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis

Statement of Net Position

The Statement of Net Position includes all assets, liabilities and deferred outflows/inflows of resources of the College and presents the fiscal information in a summary format. Assets are grouped into either current assets or noncurrent assets.

Current assets include cash and cash equivalents, receivables, inventories, and prepaid items. Current assets at June 30, 2016 decreased 9.59% from the previous year as a result of less cash at year end due to reduced funds held for others than in the previous year.

Noncurrent assets are comprised primarily of restricted cash and cash equivalents, restricted receivables from primary government and capital assets. Noncurrent assets, excluding capital assets, had a decrease of 35.76% at June 30, 2016. Capital assets (land, construction in progress, buildings, general infrastructure and equipment) are stated at historical cost less depreciation. Capital assets increased slightly by 2.05% in fiscal year 2016. The Edgecombe Community College Biotech and Medical Simulation Center was completed in November 2015.

Deferred outflows related to the Teachers' and State Employees' Retirement System (TSERS) consist of contributions made subsequent to the measurement date which decreased 1.37% related to a slight decrease in salaries during the year.

Current liabilities are comprised of accounts payable, accrued liabilities, unearned revenue, funds held for others and the current portion of long-term liabilities. This area experienced a 20.08% decrease due primarily to a reduction in funds held for others.

Noncurrent liabilities consist of notes payable, accrued vacation and bonus leave, capital lease payable and the net pension liability totaling \$15,599,110.99. Noncurrent liabilities had an increase of 11.36% due primarily to an increase in the net pension liability.

Deferred inflows related to the Teachers' and State Employees' Retirement System (TSERS) consist of the difference between actual and expected experience, net differences between projected and actual earnings on pension plan investments and changes in proportion and differences between the College's contributions and proportionate share of the plan which decreased 78.19%. This decrease related primarily to recognition of deferrals in the current year which increased the net pension liability.

Net position represents the residual interest in the College's assets and deferred outflows after all liabilities and deferred inflows are deducted. For reporting purposes, they are divided into three categories: net investment in capital assets, restricted expendable and unrestricted net position.

Net investment in capital assets is the net position representing the College's capital assets net of accumulated depreciation and any related debt. There was a 3.18% increase from the previous year, due primarily to continued construction to the Edgecombe Community College Biotech and Medical Simulation Center that was completed in the current year.

**EDGECOMBE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Restricted net position - expendable consists of resources in which the College is legally or contractually obligated to spend in accordance with restrictions by external parties. It consists of Scholarships and Fellowships, and other expendable assets. The decrease of 29.52% during fiscal year 2016, is mainly due to less authorizations of financial aid funding resulting in an increased use of restricted funding to assist students.

Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income, net of operating expenses.

Condensed Statement of Net Position

	<u>FY 2015-2016</u>	<u>FY 2014-2015</u>	<u>Difference</u>	<u>% Difference</u>
Assets				
Current Assets	\$ 4,045,888.53	\$ 4,474,827.70	\$ (428,939.17)	(9.59%)
Noncurrent Assets	391,165.32	608,874.89	(217,709.57)	(35.76%)
Capital Assets, Net	<u>32,549,744.57</u>	<u>31,894,344.47</u>	<u>655,400.10</u>	<u>2.05%</u>
Total Assets	<u>36,986,798.42</u>	<u>36,978,047.06</u>	<u>8,751.36</u>	<u>0.02%</u>
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	<u>904,601.00</u>	<u>917,184.00</u>	<u>(12,583.00)</u>	<u>(1.37%)</u>
Liabilities				
Current Liabilities	1,133,080.60	1,417,822.49	(284,741.89)	(20.08%)
Noncurrent Liabilities	<u>15,599,110.99</u>	<u>14,008,127.18</u>	<u>1,590,983.81</u>	<u>11.36%</u>
Total Liabilities	<u>16,732,191.59</u>	<u>15,425,949.67</u>	<u>1,306,241.92</u>	<u>8.47%</u>
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	<u>633,078.00</u>	<u>2,903,111.00</u>	<u>(2,270,033.00)</u>	<u>(78.19%)</u>
Net Position				
Net Investment in Capital Assets	20,082,153.73	19,462,956.63	619,197.10	3.18%
Restricted Expendable	671,565.74	952,881.20	(281,315.46)	(29.52%)
Unrestricted	<u>(227,589.64)</u>	<u>(849,667.44)</u>	<u>622,077.80</u>	<u>(73.21%)</u>
Total Net Position	<u>\$ 20,526,129.83</u>	<u>\$ 19,566,170.39</u>	<u>\$ 959,959.44</u>	<u>4.91%</u>

Statement of Revenues, Expenses and Changes in Net Position

The activity presented on the Statement of Revenues, Expenses, and Changes in Net Position represent the changes in total net position. The purpose of this statement is to present the revenues received by the College, both operating, nonoperating, and capital aid, and the operating and non-operating expenses incurred by the College. Operating revenues include student tuition revenues and fees, state and local operating grants, revenue obtained from sales and services, and other operating revenues. There was a decrease of 2.24% in net tuition and fees. This decrease was a result of a continued decline in enrollment during the year.

There were no State and Local Grants and Contracts to report during fiscal year 2016.

**EDGECOMBE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Sales and Services decreased by 25.49% during fiscal year 2016. This decline is a result of sales being down in the bookstore in fiscal year 2016.

Other Operating Revenues had a 10.26% increase during the year. This increase is due to an increase in vending sales and in the performing art series ticket sales.

Operating Revenues

	<u>FY 2015-2016</u>	<u>FY 2014-2015</u>	<u>Difference</u>	<u>% Difference</u>
Operating Revenues				
Tuition and Fees, Net	\$ 1,189,635.31	\$ 1,216,944.65	\$ (27,309.34)	-2.24%
State and Local Grants and Contracts	0.00	3,619.41	(3,619.41)	-100.00%
Sales and Services, Net	469,826.82	630,554.39	(160,727.57)	-25.49%
Other Operating Revenues	175,929.73	159,564.20	16,365.53	10.26%
Total Operating Revenues	<u>\$ 1,835,391.86</u>	<u>\$ 2,010,682.65</u>	<u>\$ (175,290.79)</u>	<u>-8.72%</u>

Nonoperating revenues are revenues received for which goods and services are not provided. They include appropriations from state and local governments. The net nonoperating revenues decreased by 3.41% as noted below. The largest portion of nonoperating revenue is state aid, which consists of funds allotted from the North Carolina Board of Community Colleges for operations of the College. Revenues received from state governments to support operations increased .82% and revenues from local governments increased 10.09%.

Non-Capital Grants for Federal Student Financial Aid decreased by 14%. The decrease is due to the continued decline in enrollment and thus resulting in less financial aid being awarded to students during fiscal year 2016.

Other noncapital grants increased by \$384,767 or 37.03% due mainly to Duke Energy Grant received in fiscal year 2016. This grant was used to renovate and equip the welding lab on the Tarboro campus.

Other nonoperating revenues (expenses) decreased by \$337,621.22 or 397.20% due mainly to interest expense incurred after the Biotech and Medical Simulation Center was placed in service and capitalization of interest had stopped.

Nonoperating Revenues

	<u>FY 2015-2016</u>	<u>FY 2014-2015</u>	<u>Differences</u>	<u>% Difference</u>
Nonoperating Revenues				
State Aid	\$ 12,208,301.77	\$ 12,108,457.98	\$ 99,843.79	0.82%
County Appropriations	1,600,000.08	1,453,420.00	146,580.08	10.09%
Noncapital Grants - Federal Student Financial Aid	6,685,462.40	7,773,576.75	(1,088,114.35)	(14.00%)
Noncapital Grants	1,423,822.17	1,039,055.35	384,766.82	37.03%
Noncapital Gifts	171,435.95	156,127.85	15,308.10	9.80%
Interest Income	19,913.00	11,876.43	8,036.57	67.67%
Other Nonoperating Revenues (Expenses)	(252,621.22)	85,000.00	(337,621.22)	(397.20%)
Net Nonoperating Revenues	<u>\$ 21,856,314.15</u>	<u>\$ 22,627,514.36</u>	<u>\$ (771,200.21)</u>	<u>(3.41%)</u>

**EDGECOMBE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities. These revenues are presented after nonoperating activities on the Statement of Revenues, Expenses, and Changes in Net Position. A 555.40% increase occurred in state capital aid due to the purchase of equipment for the newly finished Biotech Medical Simulation Center. The state certified very little capital aid in fiscal year 2015. County capital appropriations increased 47.24%, due to more payments in fiscal year 2016 for the Biotechnology Medical Simulation Center under the leasing agreement with Edgecombe County. Capital Grants had a large increase due to a transfer of funds from the Foundation for the Biotechnology Medical Simulation Center parking lots.

Capital Revenues

	<u>FY 2015-2016</u>	<u>FY 2014-2015</u>	<u>Differences</u>	<u>% Difference</u>
State Capital Aid	\$ 1,243,921.29	\$ 189,794.39	\$ 1,054,126.90	555.40%
County Capital Appropriations	400,647.50	272,109.50	128,538.00	47.24%
Capital Grants	446,329.47	29,257.16	417,072.31	1425.54%
Total Capital Revenues	<u>\$ 2,090,898.26</u>	<u>\$ 491,161.05</u>	<u>\$ 1,599,737.21</u>	<u>325.71%</u>

Operating expenses are used to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Salaries and benefits experienced a slight increase of .47%. Supplies and Materials had a increase of 22.99% due to having to purchase and furnish new supplies and materials for the new Biotech and Medical Simulation Center on the Rocky Mount campus. Services include expenses for employee travel and subsistence, contracted services, and other current expenses. Due to a few more employees traveling between campus' and more contracted services needed, this area experienced a slight increase of 6.67% from the previous fiscal year ending June 30, 2016. The Scholarships and Fellowships expense account had a decrease during the year of 12.74%. This account includes expenses associated with student loans and scholarships awarded to students and includes federal Pell grants, which decreased due to declining enrollment.

The overall operating expenses reflect a small increase of 3.21% from fiscal year 2015. The College operated conservatively and within their required needs.

Operating Expenses

	<u>FY 2015-2016</u>	<u>FY 2014-2015</u>	<u>Differences</u>	<u>% Difference</u>
Operating Expenses				
Salaries and Benefits	\$ 14,752,282.27	\$ 14,683,996.25	\$ 68,286.02	0.47%
Supplies and Materials	3,888,740.96	3,161,959.93	726,781.03	22.99%
Services	1,851,746.58	1,736,034.04	115,712.54	6.67%
Scholarships and Fellowships	2,831,959.36	3,245,587.87	(413,628.51)	(12.74%)
Utilities	558,070.01	499,148.27	58,921.74	11.80%
Depreciation	939,845.65	723,956.04	215,889.61	29.82%
Total Operating Expenses	<u>\$ 24,822,644.83</u>	<u>\$ 24,050,682.40</u>	<u>\$ 771,962.43</u>	<u>3.21%</u>

EDGECOMBE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Economic Forecast

The economic outlook for Edgecombe County is showing modest improvement. According to the NC Department of Commerce, Edgecombe recorded an unemployment rate of 9.0 percent in April 2016, compared to 9.2 percent in April 2015 and 9.9 percent in April 2014. Edgecombe Community College recognizes the struggles facing its students in today's labor market. The College actively combats these difficulties through relevant programs and job training, job fairs, mentoring programs, and other initiatives meant to ensure that students are ready to succeed after graduation. Whether students seek to improve job skills, transfer to a four-year institution, or complete a program in two years or less and enter the workforce, Edgecombe Community College provides the edge to help students succeed. The College launched numerous recent initiatives to equip students with an edge.

Barton College and Edgecombe partnered on a transfer agreement that enables qualified Edgecombe students to pursue a bachelor's degree at Barton. Edgecombe and the College of Charleston began talks to develop an agreement that will allow Historic Preservation graduates to transfer into the Historic Preservation and Community Planning degree program at the College of Charleston.

Edgecombe Community College hired four career coaches to work part time in the county's high schools. These career coaches, all former Edgecombe public school personnel, are advising students on opportunities at the College and helping them determine future goals.

The Advanced Manufacturing Program Academy, a new collaborative program with Edgecombe high schools, enables teenagers to take college classes and gain experience in the field of manufacturing. Through the STEM Quiz Bowl and other activities for middle school and high school students, the community college is fostering curiosity and learning while raising awareness about careers in STEM and manufacturing fields. Edgecombe Community College was, in fact, recognized in 2015 as a national model in manufacturing education by Tooling U-SME, a leader in manufacturing learning and development.

Other programs for high school students for college and high school credits have been added, including a Historic Preservation certificate in Basic Preservation, a Nurse Aide I certificate, a Human Services Technology certificate, and a diploma in Health Science: Therapeutic and Diagnostic Services.

The Biotechnology and Medical Simulation Center opened for classes in January 2016. The three-story, 45,000-square-foot facility on the Rocky Mount campus provides an edge in health care education because of its unique simulated hospital environment. The College also provides an edge to students through outstanding support services in tutoring, counseling, academic advising, and financial aid, as well as committed faculty and staff who work hard to help students succeed.

Edgecombe Community College
Statement of Net Position
June 30, 2016

Exhibit A-1

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 2,322,725.67
Restricted Cash and Cash Equivalents	677,131.27
Receivables, Net	456,244.84
Inventories	484,487.61
Prepaid Items	105,299.14
	<hr/>
Total Current Assets	4,045,888.53
	<hr/>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	325,643.57
Restricted Due from Primary Government	65,521.75
Capital Assets - Nondepreciable	1,109,816.18
Capital Assets - Depreciable, Net	31,439,928.39
	<hr/>
Total Noncurrent Assets	32,940,909.89
	<hr/>
Total Assets	36,986,798.42
	<hr/>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	904,601.00
	<hr/>

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities	330,110.04
Unearned Revenue	162,673.62
Funds Held for Others	322,160.34
Long-Term Liabilities - Current Portion	318,136.60
	<hr/>
Total Current Liabilities	1,133,080.60
	<hr/>
Noncurrent Liabilities:	
Long-Term Liabilities	15,599,110.99
	<hr/>
Total Liabilities	16,732,191.59
	<hr/>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	633,078.00
	<hr/>

NET POSITION

Net Investment in Capital Assets	20,082,153.73
Restricted for:	
Expendable:	
Health Sciences	263,845.92
Education Development Fund	297,219.87
Scholarships and Fellowships	25,211.88
Other	85,288.07
	<hr/>
Unrestricted	(227,589.64)
	<hr/>
Total Net Position	\$ 20,526,129.83
	<hr/> <hr/>

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

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

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net	\$ 1,189,635.31
Sales and Services, Net	469,826.82
Other Operating Revenues	175,929.73

Total Operating Revenues	1,835,391.86
--------------------------	--------------

EXPENSES

Operating Expenses:

Salaries and Benefits	14,752,282.27
Supplies and Materials	3,888,740.96
Services	1,851,746.58
Scholarships and Fellowships	2,831,959.36
Utilities	558,070.01
Depreciation	939,845.65

Total Operating Expenses	24,822,644.83
--------------------------	---------------

Operating Loss	(22,987,252.97)
----------------	-----------------

NONOPERATING REVENUES (EXPENSES)

State Aid	12,208,301.77
County Appropriations	1,600,000.08
Noncapital Grants - Student Financial Aid	6,685,462.40
Noncapital Grants - Other	1,423,822.17
Noncapital Gifts, Net	171,435.95
Investment Income, Net	19,913.00
Interest and Fees on Debt	(252,621.22)

Net Nonoperating Revenues	21,856,314.15
---------------------------	---------------

Loss Before Other Revenues, Expenses, Gains, and Losses	(1,130,938.82)
---	----------------

State Capital Aid	1,243,921.29
County Capital Aid	400,647.50
Capital Grants	446,329.47

Change in Net Position	959,959.44
------------------------	------------

NET POSITION

Net Position, July 1, 2015	19,566,170.39
Net Position, June 30, 2016	\$ 20,526,129.83

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

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

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 1,890,558.51
Payments to Employees and Fringe Benefits	(15,451,278.53)
Payments to Vendors and Suppliers	(6,387,487.28)
Payments for Scholarships and Fellowships	(2,831,959.36)
Other Receipts (Payments)	(249,975.27)
Net Cash from Operating Activities	<u>(23,030,141.93)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	12,208,301.77
County Appropriations	1,600,000.08
Noncapital Grants - Student Financial Aid	6,640,340.77
Noncapital Grants - Other	1,386,122.16
Noncapital Gifts, Net	171,435.95
Net Cash from Noncapital Financing Activities	<u>22,006,200.73</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,243,921.29
County Capital Aid	400,647.50
Capital Grants	446,329.47
Proceeds from Sale of Capital Assets	11,114.17
Acquisition and Construction of Capital Assets	(1,249,143.76)
Principal Paid on Capital Debt and Leases	(68,391.94)
Interest Paid on Capital Debt and Leases	(509,273.24)
Net Cash from Capital and Related Financing Activities	<u>275,203.49</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income, Net	<u>19,913.00</u>
Net Cash from Investing Activities	<u>19,913.00</u>
Net Change in Cash and Cash Equivalents	(728,824.71)
Cash and Cash Equivalents, July 1, 2015	<u>4,054,325.22</u>
Cash and Cash Equivalents, June 30, 2016	<u>\$ 3,325,500.51</u>

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

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (22,987,252.97)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	939,845.65
Changes in Assets, Liabilities, and Deferred Outflows of Resources:	
Receivables, Net	91,113.46
Inventories	(105,480.42)
Prepaid Items	15,012.63
Deferred Outflows Related to Pensions	12,583.00
Accounts Payable and Accrued Liabilities	45,593.45
Unearned Revenue	(35,946.81)
Funds Held for Others	(249,975.27)
Compensated Absences	(19,874.65)
Net Pension Liability	1,534,273.00
Deferred Inflows Related to Pensions	(2,270,033.00)
Net Cash from Operating Activities	<u>\$ (23,030,141.93)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 2,322,725.67
Restricted Cash and Cash Equivalents	677,131.27
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>325,643.57</u>
Total Cash and Cash Equivalents - June 30, 2016	<u>\$ 3,325,500.51</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capitalized Interest	<u>\$ 252,621.22</u>
Assets Acquired through Assumption of a Liability	<u>\$ 104,594.94</u>

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

Edgecombe Community College
Statement of Financial Position
June 30, 2016

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	403,967.00
Investments		1,379,630.00
Cash Surrender Value of Life Insurance		3,535.00
Receivables, Net		<u>266,720.00</u>
Total Assets	\$	<u><u>2,053,852.00</u></u>

NET ASSETS

Unrestricted	\$	423,411.00
Temporarily Restricted		81,513.00
Permanently Restricted		<u>1,548,928.00</u>
Total Net Assets	\$	<u><u>2,053,852.00</u></u>

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

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

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and Gains:	
Contributions	\$ 7,331.00
In-Kind Rent and Services	111,000.00
Fund Raising Projects	<u>9,548.00</u>
Total Unrestricted Revenues and Gains	<u>127,879.00</u>
Expenses:	
Salaries and Related Expenses	99,000.00
Office Expenses	12,000.00
Management and General	<u>31,314.00</u>
Total Expenses	<u>142,314.00</u>
Change in Unrestricted Net Assets	<u>(14,435.00)</u>

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Revenues and Gains:	
Contributions	147,386.00
Investment Income	<u>(2,142.00)</u>
Total Temporarily Restricted Revenues and Gains	<u>145,244.00</u>
Expenses:	
Grants/Scholarships	<u>465,566.00</u>
Change in Temporarily Restricted Net Assets	<u>(320,322.00)</u>

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Contributions	<u>85,696.00</u>
Change in Net Assets	(249,061.00)
Net Assets at Beginning of Year	<u>2,302,913.00</u>
Net Assets at End of Year	<u>\$ 2,053,852.00</u>

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements present all funds for which the College's Board of Trustees is financially accountable. Related foundations and similar nonprofit corporations for which the College is not financially accountable or for which the nature of their relationship is not considered significant to the College are not part of the accompanying financial statements.

Discretely Presented Component Unit - Edgecombe Community College Foundation, Inc. is a legally separate, nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the 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's board consists of up to 30 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or incomes thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation reports its financial results under Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information.

Complete financial statements for the Foundation can be obtained from The Foundation Office, Edgecombe Community College, 2009 West Wilson Street, Tarboro, NC 27886.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- E. Restricted Cash and Cash Equivalents** - 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 or designated for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.

- F. Investments** - Investments belong to Edgecombe Community College Foundation, Inc. and consist of certificates of deposit, money market funds and life annuity contracts. Certificates of deposit and money market funds are reported at cost, if purchased or at fair value or appraised value at date of gift, if donated. The life annuity contracts are reported at fair value of the underlying investments.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- G. 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. Management records an allowance for uncollectible accounts against student accounts receivable based on historical collections of student accounts receivable.
- H. Inventories** - Inventories, consisting of expendable supplies and merchandise for resale, are valued at the lower of cost or market value using last invoice cost.
- I. 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 cost. Interest costs incurred are capitalized during the period of construction.

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

Depreciation is compared using the straight-line method over the estimated useful life of the assets, generally 10 to 75 years for general infrastructure, 10 to 50 years for buildings, and 2 to 25 years for computers and other equipment.

- J. Deferred Outflows/Inflows of Resources** – Deferred outflows/inflows relate to the pension plan as further described in Note 12.
- K. Unearned Revenue** – Unearned revenue includes student tuition and fees collected prior to year-end for fall courses.
- L. Funds Held for Others** – Funds held for others includes money held by the College on behalf of others, including the Foundation, until they use the money.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2015 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 12 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

- 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 January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. **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 - 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.

P. **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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

R. 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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. The College is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute 115D-58.7*. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling \$660.00, and deposits in private financial institutions with a carrying value of \$30,000.00 and a bank balance of \$312,456.16.

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 was covered under by the federal depository insurance.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 \$3,294,840.51 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 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.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments of Component Unit - Investments of the College's component unit, the Edgecombe Community College Foundation, Inc., are subject to and restricted by any requirement placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risk are not required. The following is an analysis of investments, as of June 30, 2016, by type:

Investment Type	Fair Value
Certificates of Deposit	\$ 489,813.00
Mutual Funds	642,802.00
Life Annuity Contracts	247,015.00
Total	\$ 1,379,630.00

NOTE 3 - FAIR VALUE MEASUREMENTS

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

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

Short-Term Investment Fund – At year-end, all of the College's investments valued at \$3,294,840.51 were held in the STIF which is a Level 2 investment. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. As discussed in Note 2, this amount is classified as cash and cash equivalents in the Statement of Net Position.

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

	Fair Value Measurements at June 30, 2016 Using:			
	Level 1	Level 2	Level 3	Total
<u>Measurement on a recurring basis:</u>				
Investments:				
Certificates of Deposit	\$ 489,813.00	\$ -	\$ -	\$ 489,813.00
Mutual funds	642,802.00	-	-	642,802.00
Life Annuity Contracts	247,015.00	-	-	247,015.00
Total investments	<u>\$ 1,379,630.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,379,630.00</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - RECEIVABLES

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

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 1,431,413.20	\$ 1,302,537.65	\$ 128,875.55
Accounts	36,983.95	-	36,983.95
Intergovernmental	217,184.08	-	217,184.08
Other	73,201.26	-	73,201.26
Total Current Receivables	<u>\$ 1,758,782.49</u>	<u>\$ 1,302,537.65</u>	<u>\$ 456,244.84</u>

B. COMPONENT UNIT - The College's discretely presented component unit, The Foundation, had receivables of \$266,720.00 as of June 30, 2016, of which \$250,024.00 is receivable from the College consisting of transfers to the College for the purpose of deposit to the Colleges STIF Account. Interest earned on those funds are allocated annually to the Foundation and added to the account balance.

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 1,109,816.18	\$ -	\$ -	\$ 1,109,816.18
Construction in Progress	11,369,914.91	-	11,369,914.91	-
Total Capital Assets, Nondepreciable	<u>12,479,731.09</u>	<u>-</u>	<u>11,369,914.91</u>	<u>1,109,816.18</u>
Capital Assets, Depreciable:				
Buildings	22,989,929.87	11,716,427.08	-	34,706,356.95
Machinery and Equipment	4,240,281.81	797,231.25	28,331.42	5,009,181.64
General Infrastructure	658,198.53	462,616.50	-	1,120,815.03
Total Capital Assets, Depreciable	<u>27,888,410.21</u>	<u>12,976,274.83</u>	<u>28,331.42</u>	<u>40,836,353.62</u>
Less Accumulated Depreciation/Amortization for:				
Buildings	6,642,504.57	616,017.64	-	7,258,522.21
Machinery and Equipment	1,555,517.19	305,266.80	17,217.25	1,843,566.74
General Infrastructure	275,775.07	18,561.21	-	294,336.28
Total Accumulated Depreciation/Amortization	<u>8,473,796.83</u>	<u>939,845.65</u>	<u>17,217.25</u>	<u>9,396,425.23</u>
Total Capital Assets, Depreciable, Net	<u>19,414,613.38</u>	<u>12,036,429.18</u>	<u>11,114.17</u>	<u>31,439,928.39</u>
Capital Assets, Net	<u>\$ 31,894,344.47</u>	<u>\$ 12,036,429.18</u>	<u>\$ 11,381,029.08</u>	<u>\$ 32,549,744.57</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Accounts Payable	\$ 110,661.52
Accrued Payroll	209,552.73
Other	9,895.79
Total Current Accounts Payable and Accrued Liabilities	<u>\$ 330,110.04</u>

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 July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Notes Payable-Medical Simulation Center	\$ 1,390,677.43	\$ -	\$ 68,391.94	\$ 1,322,285.49	\$ 73,997.01
Equipment Capital Lease Notes Payable	11,040,710.41	104,594.94	-	11,145,305.35	-
Sub-total debt related to capital assets	12,431,387.84	104,594.94	68,391.94	12,467,590.84	73,997.01
Net Pension Liability	761,605.00	1,534,273.00	-	2,295,878.00	-
Compensated Absences	1,173,653.40	234,501.38	254,376.03	1,153,778.75	244,139.59
Total Long-Term Liabilities	\$ 14,366,646.24	\$ 1,873,369.32	\$ 322,767.97	\$ 15,917,247.59	\$ 318,136.60

The College has an equipment capital lease note payable from a financial institution dated June 15, 2012, which has an interest rate of 3.10%, a term of 192 months, and is due on July 1, 2028. For the first 12 months, all interest was added to the outstanding principal balance. Beginning August 1, 2013, monthly principal and interest payments are due. Monthly payments will increase each year, ranging from \$8,790.00 to \$12,763.00 over the term of the note. The following is a schedule of future minimum principal payments:

Fiscal Year	Principal	Interest	Total
2017	\$ 73,997.01	\$ 40,004.99	\$ 114,002.00
2018	79,448.18	37,630.82	\$117,079.00
2019	85,156.19	35,083.81	\$120,240.00
2020	91,129.13	32,355.87	\$123,485.00
2021	97,386.52	29,438.48	\$126,825.00
2022 - 2026	591,193.83	96,169.17	\$687,363.00
2027 - 2029	303,974.63	10,406.37	\$314,381.00
Total Requirements	\$ 1,322,285.49	\$ 281,089.51	\$ 1,603,375.00

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

The College signed a lease agreement with Horizon Health Partners, Inc. dated October 7, 2014. The lease term is to continue through December 31, 2034. Under the agreement, the College, the lessee, will lease approximately 45,000 square feet of space for training and laboratory facilities, known as the Biotech and Medical Simulation Center. Monthly lease payments began on November 20, 2014 in the amount of \$78,512.00, escalating periodically during the lease until it is paid off on December 31, 2034. The capital lease obligation is recorded at the present value of the minimum lease payments. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 416,170.50
2018	420,332.00
2019	424,535.50
2020	428,781.00
2021	468,068.50
2022-2026	3,644,487.00
2027-2031	3,950,173.50
2032-2036	4,151,827.00
2037-2041	<u>7,548,764.00</u>
Total Minimum Lease Payments	21,453,139.00
Less: Amount Representing Interest	<u>10,307,833.65</u>
Minimum Lease Payments	<u>\$ 11,145,305.35</u>

The College anticipates additional funding from the County to help offset the costs related to this lease.

NOTE 8 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases for copiers consist of the following at June 30, 2016:

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 86,235.12
2018	86,235.12
2019	71,102.42
2020	19,751.00
2021	<u>9,504.00</u>
Total Minimum Lease Payments	<u>\$ 272,827.66</u>

Rental expense for all operating leases during the year was \$81,819.76.

NOTE 9 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Net Revenues
Operating Revenues:			
Student Tuition and Fees, Net	<u>\$ 3,773,097.09</u>	<u>\$ 2,583,461.78</u>	<u>\$ 1,189,635.31</u>
Sales and Services:			
Sales and Services of Auxiliary Enterprises:			
Bookstore	1,842,150.24	1,496,534.60	345,615.64
Other	81,608.31	-	81,608.31
Sales and Services of Education and Related Activities	<u>42,602.87</u>	<u>-</u>	<u>42,602.87</u>
Total Sales and Services, Net	<u>\$ 1,966,361.42</u>	<u>\$ 1,496,534.60</u>	<u>\$ 469,826.82</u>

NOTE 10 - OPERATING LEASE REVENUES

Future minimum lease revenues under the noncancelable operating lease related to the College's excess capacity of wireless broadband services are recorded when earned. The minimum future lease revenues consist of the following at June 30, 2016:

Fiscal Year	Amount
2017	\$ 9,898.00
2018	9,898.00
2019	9,898.00
2020	9,898.00
2021	9,898.00
2022-2026	49,490.00
2027-2029	29,694.00
Total Minimum Lease Revenues	<u>\$ 128,674.00</u>

Rental revenue for the operating lease during the year was \$9,898.00 is recorded in other operating revenue.

NOTE 11 - OPERATING EXPENSES BY FUNCTION

The College's operating expenses by functional classification for the year ended June 30, 2016, are presented as follows:

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$ 8,149,439.48	\$ 1,536,778.15	\$ 529,542.25	\$ 4,200.00	\$ -	\$ -	\$ 10,219,959.88
Academic Support	1,866,277.78	46,457.55	127,532.22	-	-	-	2,040,267.55
Student Services	1,057,394.67	68,692.70	304,306.65	42,635.00	-	-	1,473,029.02
Institutional Support	2,696,116.20	370,402.65	528,804.87	-	-	-	3,595,323.72
Operations and Maintenance of Plant	382,819.56	182,415.21	272,455.32	-	558,070.01	-	1,395,760.10
Student Financial Aid	546,175.72	-	9,918.67	2,785,124.36	-	-	3,341,218.75
Auxiliary Enterprises	54,058.86	1,683,994.70	79,186.60	-	-	-	1,817,240.16
Depreciation	-	-	-	-	-	939,845.65	939,845.65
Total Operating Expenses	\$ 14,752,282.27	\$ 3,888,740.96	\$ 1,851,746.58	\$ 2,831,959.36	\$ 558,070.01	\$ 939,845.65	\$ 24,822,644.83

NOTE 12 - PENSION PLANS

Defined Benefit Plan

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

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

NOTE 12 - PENSION PLANS (CONTINUED)

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 \$904,600.62, and employee contributions were \$593,180.87 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*.

NOTE 12 - PENSION PLANS (CONTINUED)

Net Pension Liability: At June 30, 2016, the College reported a liability of \$2,295,878 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 .06230%, which was an decrease of .00266% 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.

NOTE 12 - PENSION PLANS (CONTINUED)

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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
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.

NOTE 12 - PENSION PLANS (CONTINUED)

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

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 6,909,960.00	\$ 2,295,878.00	\$ (1,619,702.00)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2016, the College recognized pension expense of \$180,422. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 0.00	\$ 261,041.00
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0.00	248,739.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	0.00	123,298.00
Contributions Subsequent to the Measurement Date	904,601.00	0.00
Total	\$ 904,601.00	\$ 633,078.00

NOTE 12 - PENSION PLANS (CONTINUED)

The amount of \$904,601.00 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	Amount
2017	\$ (342,227.00)
2018	(342,227.00)
2019	(324,347.00)
2020	375,723.00
2021	-
Total	\$ (633,078.00)

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

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

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

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

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

For the current fiscal year, the College contributed 5.60% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2015, and 2014, were 5.49% and 5.4%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2016, 2015, and 2014, which were \$553,635.22, \$550,310.12, and \$556,187.26, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

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

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2016, the College made a statutory contribution of .41% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2015, and 2014, were .41% and .44%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2016, 2015, and 2014, which were \$40,534.01, \$41,097.84, and \$45,318.96, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 14 - RISK MANAGEMENT

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

NOTE 14 - RISK MANAGEMENT (CONTINUED)

A. Public Entity Risk Pool

Public School Insurance Fund

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

B. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

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 - RISK MANAGEMENT (CONTINUED)

C. Other Risk Management and Insurance Activities

1. Automobile

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.

The College purchased other authorized coverage from private insurance companies through the North Carolina department of Insurance. The College has a blanket honesty bond for all College employees with coverage of \$10,000 per occurrence.

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.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. The College did not have any outstanding commitments on construction contracts at June 30, 2016. Outstanding commitments on other purchases were \$43,440.07 at June 30, 2016.
- B. Contingencies** - Federal funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the College.

NOTE 16 - RELATED PARTIES

Edgecombe Community College Educational Projects Foundation - The Edgecombe Community College Educational Projects Foundation is a separately incorporated nonprofit foundation associated with the College. This foundation is specifically to augment the budget of the College, rather than provide scholarships, as is the purpose of the Edgecombe Community College Foundation. Furthermore, the Educational Projects Foundation is to assist, strengthen, and further the work and services of the College by providing training and consulting services and by engaging in entrepreneurial initiatives in collaboration with the College. The College's financial statements do not include the assets, liabilities, net assets or operational transactions of the Educational Projects Foundation. The Educational Projects Foundation did not provide any financial support to the College during the year ended June 30, 2016 because it has not had any financial activity through June 30, 2016.

Edgecombe Community College Foundation, Inc. - During the year ended June 30, 2016, the Edgecombe Community College Foundation, Inc. distributed \$468,000.00 to the College for both restricted and unrestricted purposes.

NOTE 17 - SUBSEQUENT EVENTS

The College has evaluated subsequent events through December 14, 2016, which is the date the financial statements were available to be issued.

NOTE 18 - AUDIT HOURS AND COSTS

The audit required 250 audit hours at an approximate cost of \$34,500.00. The cost represents .093% of the College's total assets and .139% of total expenses subject to audit.

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

Exhibit C-1

	Measurement Date Ending June 30,		
	2015	2014	2013
(1) Proportionate Share Percentage of Collective Net Pension Liability	0.06230%	0.06496%	0.07040%
(2) Proportionate Share of TSERS Collective Net Pension Liability	\$ 2,295,878.00	\$ 761,605.00	\$ 4,273,997.00
(3) Covered-Employee Payroll	\$ 10,023,863.80	\$ 10,299,764.11	\$ 10,992,631.21
(4) Net Pension Liability as a Percentage of Covered-Employee Payroll	22.90412%	7.39440%	38.88060%
(5) Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%

Note: Data is presented for years for which information is available.

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

Exhibit C-2

	2016	2015	2014	2013	2012
(1) Contractually Required Contribution	\$ 904,601.00	\$ 917,183.54	\$ 895,049.50	\$ 915,686.18	\$ 769,244.77
(2) Contributions in Relation to the Contractually Determined Contribution	904,601.00	917,183.54	895,049.50	915,686.18	769,244.77
(3) Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
(4) Covered-Employee Payroll	\$ 9,886,343.16	\$ 10,023,863.80	\$ 10,299,764.11	\$ 10,992,631.21	\$ 10,340,655.52
(5) Contributions as a Percentage of Covered-Employee Payroll	9.1500%	9.1500%	8.6900%	8.3300%	7.4400%

	2011	2010	2009	2008	2007
(1) Contractually Required Contribution	\$ 501,940.71	\$ 349,763.00	\$ 329,755.83	\$ 271,902.59	\$ 259,374.14
(2) Contributions in Relation to the Contractually Determined Contribution	501,940.71	349,763.00	329,755.83	271,902.59	259,374.14
(3) Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
(4) Covered-Employee Payroll	\$ 10,181,353.15	\$ 9,797,283.03	\$ 9,814,161.55	\$ 10,221,901.84	\$ 9,750,907.63
(5) Contributions as a Percentage of Covered-Employee Payroll	4.9300%	3.5700%	3.3600%	2.6600%	2.6600%

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

Changes of Benefit Terms:

Cost of Living Increase

<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
1.00%	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%

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.

**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***

Members of the Board of Trustees
Edgecombe Community College
Tarboro, 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 Edgecombe Community College (the "College"), and the discretely presented component unit, Edgecombe Community College Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2016. Our report includes a reference to other auditors who audited the financial statements of the Foundation, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Charlotte, North Carolina
December 14, 2016