Alamance Community College

GRAHAM, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

For the Year Ended June 30, 2016

S. Preston Douglas & Associates, LLP
Certified Public Accountants

ALAMANCE COMMUNITY COLLEGE

GRAHAM, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

For the Year Ended June 30, 2016

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Independent Auditor's Report

Board of Trustees
Alamance Community College
Graham, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of Alamance Community College Foundation, Inc., the College's discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this entity, are based 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 basic financial statements are free of material misstatement. The financial statements of Alamance Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not 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, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Colleges internal control over financial reporting and compliance.

S. Preston Douglas & Associates, LLP

Lumberton, North Carolina
January 11, 2017

Introduction

As the management of Alamance Community College, we are pleased to present the College's financial statements for the fiscal year ending June 30, 2016. Our discussion and analysis presented in this section is intended to provide information regarding the current fiscal year's data and about changes from the prior fiscal year.

We present the following three statements within this report:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows

We also supplement these statements with various notes detailing certain reporting policies and assumptions. Readers should consider each of these three statements, along with the notes and this discussion and analysis, as interrelated. Each statement is essential to understanding the others. Our discussion will cover the following:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Capital Assets and Long-Term Debt Activities
- Economic Outlook

Statement of Net Position

In the Statement of Net Position, we present the assets (current and noncurrent), liabilities (current and noncurrent) and net position (assets less liabilities) of the College at June 30, 2016. This statement presents information at a single point in time and is intended to provide the user with a financial snapshot of the College. We discuss the distinctions between current and noncurrent assets and liabilities in the notes to these financial statements.

From the information presented in the Statement of Net Position a reader will be able to determine the assets available to continue operations of the College, amounts owed by the College and total net position availability.

As required by accepted accounting practices, we have divided net position into three major categories:

- Net investment in capital assets
- Restricted net assets
- Unrestricted net assets

Net investment in capital assets provides the College’s total equity in property, plant, and equipment while restricted net position is divided into two categories, nonexpendable, of which the College has none, and expendable, which is equity restricted to certain uses.

Unrestricted net position is available to the College for any lawful purpose.

Following is a comparative analysis of the condensed balances reported in the Statement of Net Position as of June 30, 2016 and 2015:

Condensed Statement of Net Position

	2016	2015	Change	Percent Change
ASSETS				
Current Assets	$ 4,511,571.15	$ 5,098,111.66	$ (586,540.51)	(11.51) %
Capital Assets, Net	33,787,768.16	32,566,751.87	1,221,016.29	3.75 %
Other Noncurrent Assets	1,105,160.56	1,090,644.72	14,515.84	1.33 %
Total Assets	39,404,499.87	38,755,508.25	648,991.62	1.67 %
DEFERRED OUTFLOWS OF RESOURCES				
Total Defered Outflows	1,293,232.49	1,295,447.49	(2,215.00)	** %
LIABILITIES				
Current Liabilities	856,996.17	454,312.32	402,683.85	88.64 %
Noncurrent Liabilities	3,424,914.56	1,434,950.78	1,989,963.78	138.68 %
Total Liabilities	4,281,910.73	1,889,263.10	2,392,647.63	126.64 %
DEFERRED INFLOWS OF RESOURCES				
Total Defered Inflows	669,669.00	3,514,184.00	(2,844,515.00)	** %
NET POSITION				
Net Investment in Capital Assets	33,787,768.16	32,566,751.87	1,221,016.29	3.75 %
Restricted for:				
Expendable	549,283.08	1,195,038.02	(645,754.94)	(54.04) %
Unrestricted	1,409,101.39	885,718.75	523,382.64	59.09 %
Total Net Assets	$ 35,746,152.63	$ 34,647,512.85	$ 1,098,643.99	3.17 %

Please refer to Exhibit A-1 and the notes to the financial statements for additional detail. Following are some highlights of the College's Statement of Net Position:

- Total assets increased by 1.67% primarily due to an increase of $1,221,016 in capital assets. The increase in capital assets can be attributed largely to construction in process of the Advanced Applied Technology Center (AATC) and the completion of the main water line.

- The College's Current Liabilities increased $402,684 or 88.64% primarily due to an increase in payables related to construction of the new AATC and unearned revenue increase due to an increase in summer enrollment over the prior year.

- Noncurrent Liabilities increased $1,989,964 due to a large drop in investment income in the Teachers' and State Employees' Retirement System (TSERS). All of the state agencies that participate in TSERS are required to report their proportional share of this increased liability. The template for this entry is provided by the Office of State Controller.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position provides information regarding the College's activities throughout the fiscal year. This statement summarizes the College's revenue and expenses, both operating and non-operating, as well as summarizing the beginning and ending net positions which are impacted by the activities of the College throughout the year.

We classify as operating revenues and expenses those amounts received or expended related to the College's provision of educational services and other goods or services to those students and other constituencies which we serve. Non-operating revenues and expenses are amounts received or expended which are not related to the goods and services we provide. For example, tuition received from students is considered operating revenue, and salaries paid to faculty members are considered operating expenses. However, we classify State appropriations as non-operating revenue because those amounts are provided by the legislature without the receipt of any direct benefit.

The table displayed on the next page is a comparative analysis of the condensed balances reported on the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal years June 30, 2016 and 2015:

	2016	2015	Change	Percentage Change
Operating Revenues:				
Student Tuition and Fees, Net	$ 4,522,578.78	$ 4,279,163.62	$ 243,415.16	5.69 %
Sales and Services, Net	750,506.95	788,682.28	(38,175.33)	(4.84) %
Other Operating Revenues	56,488.51	82,570.35	(26,081.84)	(31.59) %
Total Operating Revenues	5,329,574.24	5,150,416.25	179,157.99	3.48 %
Operating Expenses:				
Operating Expenses:				
Salaries and Benefits	21,558,666.29	21,221,935.73	336,730.56	1.59 %
Supplies and Materials	1,982,514.25	1,245,443.77	737,070.48	59.18 %
Services	3,258,639.73	2,930,989.67	327,650.06	11.18 %
Scholarships and Fellowships	6,355,166.36	6,773,826.99	(418,660.63)	(6.18) %
Utilities	664,507.60	684,377.34	(19,869.74)	(2.90) %
Depreciation/Amortization	1,025,509.47	1,024,907.30	602.17	0.06 %
Total Operating Expenses	34,845,003.70	33,881,480.80	963,522.90	2.84 %
Operating Loss	(29,515,429.46)	(28,731,064.55)	(784,364.91)	2.73 %
Nonoperating Revenue (Expenses)				
State Aid	16,621,440.54	15,762,906.55	858,533.99	5.45 %
County Appropriations	2,829,632.62	2,853,857.49	(24,224.87)	(0.85) %
Noncapital Grants and Gifts	8,803,730.07	10,051,573.78	(1,247,843.71)	(12.41) %
Investment Income	14,439.60	7,553.86	6,885.74	91.16 %
Other Nonoperating Revenues (Expenses)	0.00	243,280.00	(243,280.00)	(100.00) %
Net Nonoperating Revenues	28,269,242.83	28,919,171.68	(649,928.85)	(2.25) %
Income (Loss) Before Other Revenues	(1,246,186.63)	188,107.13	(1,434,293.76)	(762.49) %
State Capital Aid	1,015,413.53	658,871.07	356,542.46	54.11 %
County Capital Aid	1,236,590.88	216,257.51	1,020,333.37	471.81 %
Capital Grants and Gifts	92,822.00	128,246.18	(35,424.18)	(27.62) %
Increase (Decrease) in Net Position	1,098,639.78	1,191,481.89	(92,842.11)	(7.79) %
NET POSITION				
Net Position, Beginning of Year	34,647,512.85	37,324,823.96	(2,677,311.11)	(7.17) %
Restatatements		(3,868,793.00)		
Net Position, End of Year	$ 35,746,152.63	$ 34,647,512.85	$ 1,098,639.78	3.17 %

Please refer to Exhibit A-2 and the notes to the financial statements for additional detail. Following are some highlights of the College's Statement of Revenues, Expenses, and Changes in Net Position:

- Our report shows the College incurring an Operating Loss of over $29.5 million increase of 2.7% over the previous fiscal year. A reader should expect such an operating loss for a publically funded educational institution because, as required, we report State support as non-operating revenue.

- The Operating Loss increased primarily due to an overall 2.8% increase in spending related to the Advanced Applied Technology Center. These expenses will be reimbursed in Fiscal Year 2017 from County bond proceeds.

- Total Non-operating Revenue decreased 2.25% for fiscal year 2016 over fiscal year 2015. Noncapital grants and gifts decreased by $1,247,844 due primarily to a decrease in student financial aid due to decreased federal awards.

Capital Assets and Long-Term Debt Activities

- At June 30, 2016 the College's investment in capital assets net of accumulated depreciation totals $33,787,768, an increase of $1,221,016

- Long term debt increased $1,989,964 or 138.68% over the prior year due to the performance of the investment in the TSERS. This information is provided by the Office of State Controller.

The College reevaluates estimated useful lives of assets annually and adjusts useful lives as necessary.

Economic Outlook

While the current economic outlook both for Alamance County and for North Carolina is uncertain, we feel that the College is well placed to continue to provide the educational services needed by our constituents. Though the College's 2016-2017 budget appears adequate to cover needs, we will continue to closely manage the College's expenses and revenue inflows. In addition, we will continue to monitor discussions in Raleigh, with particular emphasis placed on proposals of 2017-2018 budgets. We know of no other immediate existing conditions that will significantly impact the financial position of the College during the fiscal year ending June 30, 2017 and we are committed to making sound fiscal decisions to maintain the College's ability to withstand economic uncertainty.

Alamance Community College
Statement of Net Position — *Exhibit A-1*
June 30, 2016

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	2,519,235.68
Restricted Cash and Cash Equivalents		549,786.08
Receivables, Net (Note 4)		1,108,801.94
Due from Community College Component Units		221,416.75
Inventories		112,330.70
Total Current Assets		4,511,571.15
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		180,992.54
Restricted Due from Primary Government		924,168.02
Capital Assets - Nondepreciable (Note 5)		3,027,111.62
Capital Assets - Depreciable, Net (Note 5)		30,760,656.54
Total Noncurrent Assets		34,892,928.72
Total Assets		39,404,499.87
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		1,293,232.49
Total Deferred Outflows of Resources		1,293,232.49

Alamance Community College
Statement of Net Position — *Exhibit A-1*
June 30, 2016

LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	514,278.03
Unearned Revenue	265,208.84
Funds Held for Others	46,467.10
Long-Term Liabilities - Current Portion (Note 7)	31,042.20
Total Current Liabilities	856,996.17
Noncurrent Liabilities:	
Long-Term Liabilities (Note 7)	3,424,914.56
Total Noncurrent Liabilities	3,424,914.56
Total Liabilities	4,281,910.73
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	669,669.00
Total Deferred Inflows of Resources	669,669.00
NET POSITION	
Net Investment in Capital Assets	33,787,768.16
Restricted for:	
Expendable:	
Scholarships and Fellowships	22,078.17
Capital Projects	276,463.44
Other	250,741.47
Unrestricted	1,409,101.39
Total Net Position	$ 35,746,152.63

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

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

REVENUES	
Operating Revenues:	
Student Tuition and Fees, Net (Note 9)	$ 4,522,578.78
Sales and Services, Net (Note 9)	750,506.95
Other Operating Revenues	56,488.51
Total Operating Revenues	5,329,574.24
EXPENSES	
Operating Expenses:	
Salaries and Benefits	21,558,666.29
Supplies and Materials	1,982,514.25
Services	3,258,639.73
Scholarships and Fellowships	6,355,166.36
Utilities	664,507.60
Depreciation/ Amortization	1,025,509.47
Total Operating Expenses	34,845,003.70
Operating Loss	(29,515,429.46)
NONOPERATING REVENUES (EXPENSES)	
State Aid	16,621,440.54
County Appropriations	2,829,632.62
Noncapital Grants - Student Financial Aid	8,728,630.07
Noncapital Gifts, Net (Note 9)	75,100.00
Investment Income, Net	14,439.60
Net Nonoperating Revenues	28,269,242.83
Income Before Other Revenues, Expenses, Gains, and Losses	(1,246,186.63)
State Capital Aid	1,015,413.53
County Capital Aid	1,236,590.88
Capital Grants	92,822.00
Increase (Decrease) in Net Position	1,098,639.78
NET POSITION	
Net Position, July 1, 2015	34,647,512.85
Net Position, June 30, 2016	$ 35,746,152.63

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

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 5,386,294.83
Payments to Employees and Fringe Benefits	(22,386,344.29)
Payments to Vendors and Suppliers	(5,590,394.58)
Payments for Scholarships and Fellowships	(6,386,427.70)
Other Receipts (Payments)	(95,738.08)
Net Cash Provided (Used) by Operating Activities	(29,072,609.82)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	16,621,440.54
County Appropriations	2,829,632.62
Noncapital Grants - Student Financial Aid	9,018,516.45
Noncapital Gifts and Endowments	96,963.25
Net Cash Provided (Used) by Noncapital Financing Activities	28,566,552.86
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	1,030,413.57
County Capital Aid	1,236,590.88
Capital Grants	(561,780.50)
Acquisition and Construction of Capital Assets	(2,247,634.98)
Net Cash Provided (Used) by Capital and Related Financing Activities	(542,411.03)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	14,439.60
Net Cash Provided (Used) by Investing Activities	14,439.60
Net Increase (Decrease) in Cash and Cash Equivalents	(1,034,028.39)
Cash and Cash Equivalents, July 1, 2015	4,284,042.69
Cash and Cash Equivalents, June 30, 2016	$ 3,250,014.30

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

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (29,515,429.46)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/ Amortization Expense	1,025,508.37
Provision for Uncollectible Loans and Write-Offs	0.00
Pension Expense	344,485.00
Nonoperating Other Income (Expenses)	0.00
Changes in Assets, Liabilities, and Deferred Outflows of Resources:	
Receivables, Net	(143,071.12)
Inventories	11,245.48
Prepaid Items	0.00
Notes Receivable, Net	0.00
Accounts Payable and Accrued Liabilities	318,449.83
Due to Primary Government	0.00
Due to State of North Carolina Component Units	0.00
Unearned Revenue	63,482.44
Funds Held for Others	9,309.85
Deferred Outflows for Contributions Subsequent to the Measurement Date	(1,145,092.82)
Compensated Absences	(41,498.49)
Net Cash Used by Operating Activities	$ (29,072,610.92)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	$ 2,637,237.65
Restricted Cash and Cash Equivalents	431,056.76
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	180,901.34
Total Cash and Cash Equivalents - June 30, 2016	$ 3,249,195.75

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	687,359.88
Loss on Disposal of Capital Assets	(1,090.34)

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

Alamance Community College Foundation, Inc.
Statement of Financial Position
June 30, 2016 — *Exhibit B-1*

ASSETS		
Cash and Cash Equivalents	$	894,499.00
Investments		
Long-term investments		8,764,968.00
Prater and Dillingham trusts		1,116,934.00
Sales tax refund receivable		2,574.00
Promises to give - net		189,617.00
Cash Surrender Value of Life Insurance		10,789.00
Funds held for others (agency funds)		221,417.00
Property and Equipment - net		962.00
Total Assets	$	11,201,760.00
LIABILITIES		
Due to Community College and Other Foundations		221,417.00
Total Liabilities		221,417.00
NET ASSETS		
Unrestricted		238,895.00
Temporarily Restricted		3,706,393.00
Permanently Restricted		7,035,055.00
Total Net Assets		10,980,343.00
Total Liabilities and Net Assets	$	11,201,760.00

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

Alamance Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2016

CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and Gains:		
Contributions	$	318,463.00
Contributed goods and services		39,662.00
Support services from ACC		236,675.00
Investment income - net		9,060.00
Miscellaneous		5,350.00
Total Unrestricted Revenues and Gains		609,210.00
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		543,120.00
Total Net Assets Released from Restrictions		543,120.00
Total Unrestricted Revenues, Gains, and Other Support		1,152,330.00
Expenses and Losses:		
Student Scholarships		497,228.00
College Work Study Match		75,000.00
Other Student Support		33,486.00
Programs/Resources for ACC faculty/staff		30,054.00
Other Education Related Programs		252,557.00
Support Services From ACC		209,109.00
Other Foundation Expenses		74,063.00
Total Expenses		1,171,497.00
Increase (decrease) in net assets		(19,167.00)
Net assets - beginning of year		258,062.00
Net assests - end of year	$	238,895.00
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions		385,265.00
Contributed Goods and Services		11,254.00
Net Assets Released from Restrictions:		(205,542.00)
Net Assets Released from Restrictions:		(8,527.00)
Satisfaction of Program Restrictions		(543,120.00)
Increase/(Decrease) in Temporarily Restricted Net Assets		(360,670.00)
Net assets - beginning of year		4,067,063.00
Net assets - end of year	$	3,706,393.00

Alamance Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2016

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions		88,642.00
Miscellaneous		8,668.00
Increase/(Decrease) in Permanently Restricted Net Assets		97,310.00
Increase/(Decrease) in Net Assets		
Net Assets at Beginning of Year		6,937,745.00
Net Assets at End of Year	$	7,035,055.00

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements present all funds of the College and its component units for which the College's Board of Trustees is financially accountable. The College's component units are either blended or discretely presented in the College's financial statements. The blended component units, although legally separate, are, in substance, part of the College's operations and therefore, are reported as if they were part of the College. Discretely presented component units' financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

Discretely Presented Component Units - Alamance Community College Foundation, Inc. (Foundation) is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of their relationship to the College.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 30 local community business leaders, two trustees from the Alamance Community College Board of Trustees, and three ex-officio members consisting of the College's President, the Vice-President for Institutional Advancement, and a Faculty Representative. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2016, the Foundation distributed $924,584 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation's web site: www.accfoundation.com

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

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

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

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

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

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

F. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using last invoice cost. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.

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

The College capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated software which is capitalized when the value or cost is $1,000,000 or greater and other intangible assets which are capitalized when the value or cost is $100,000 or greater.

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

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

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.

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

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

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

J. **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 15 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 15 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.

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

Net Investment in Capital Assets - This represents the College's total investment in capital assets, net of outstanding liabilities related to those capital assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

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

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

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

L. 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 either operating or non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

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

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

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

O. **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 appropriation and county capital appropriation do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the state of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling $2,050 and deposits in private financial institutions with a carrying value of $1,402,403.86 and a bank balance of $1,821,818.50.

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

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

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

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

At June 30, 2016, the amount shown on the Statement of Net Position as cash and cash equivalents includes $1,846,909.18 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2016. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

Because the Alamance Community College Foundation, Inc. reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

Investments	Fair Market Value (U.S. Dollars)
Cash & Cash Equivalents	$ 894,499.00
Fixed Income	2,565,104.00
Equities	6,199,864.00
Prater and Dillingham trust	1,116,934.00
Total	$ 10,776,401.00

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

Short-Term Investment Fund – At year-end, all of the College's investments valued at $1,846,909.18 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.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 1,080,220.07	853,144.25	227,075.82
Accounts	26,045.20	18,882.90	7,162.30
Accounts - Daycare	72,132.11	47,634.90	24,497.21
Intergovernmental	62,542.83		62,542.83
Intergovernmental- Other Capital	654,602.50		654,602.50
Other	132,921.28		132,921.28
Total Current Receivables	$ 2,028,463.99	$ 919,662.05	$ 1,108,801.94

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	$ 2,140,546.00	$ -	$ -	$ 2,140,546.00
Construction in Progress	266,657.41	708,352.00	88,443.79	886,565.62
Total Capital Assets, Nondepreciable	2,407,203.41	708,352.00	88,443.79	3,027,111.62
Capital Assets, Depreciable:				
Buildings	37,357,312.08	1,326,988.06	0.00	38,684,300.14
Machinery and Equipment	5,320,863.52	236,724.91	6,230.49	5,551,357.94
General Infrastructure	2,946,668.41	63,993.82	0.00	3,010,662.23
Total Capital Assets, Depreciable	45,624,844.01	1,627,706.79	6,230.49	47,246,320.31
Less Accumulated Depreciation/Amortization for:				
Buildings	12,390,961.21	760,415.21	0.00	13,151,376.42
Machinery and Equipment	2,309,392.11	359,808.30	5,140.15	2,664,060.26
General Infrastructure	764,942.23	(94,715.14)	0.00	670,227.09
Total Accumulated Depreciation	15,465,295.55	1,025,508.37	5,140.15	16,485,663.77
Total Capital Assets, Depreciable, Net	30,159,548.46	602,198.42	1,090.34	30,760,656.54
Capital Assets, Net	$ 32,566,751.87	$ 1,310,550.42	$ 89,534.13	$ 33,787,768.16

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	$ 382,380.91
Accrued Payroll	131,897.12
Total Accounts Payable and Accrued Liabilities	$ 514,278.03

NOTE 7 - LONG-TERM LIABILITIES

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

		Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Compensated Absences		481,489.25	408,948.56	(450,447.05)	439,990.76	31,042.20
Net Pension Liability	*	972,992.00	2,042,974.00		3,015,966.00	
Total Long-Term Liabilities	$	1,454,481.25	$ 2,451,922.56	$ (450,447.05)	$ 3,455,956.76	$ 31,042.20

Additional information regarding the net pension liability is included in Note 10

NOTE 8 - OPERATING LEASE OBLIGATIONS –

The College entered into operating leases for copiers and a mailing system. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2016:

Fiscal Year	Amount
2017	$ 118,066.36
2018	76,698.67
2019	52,301.44
2020	52,301.44
2021	7,693.81
2022-2026	$ 0.00
Total Minimum Lease Payments	$ 307,061.72

Rental expense for all operating leases during the year was $119,533.71.

NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 8,806,061.72	$ 0.00	$ 3,411,455.79	$ 872,027.15	$ 4,522,578.78
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Duplicating Center	$ 216,364.37	$ 216,364.37	$ -	$ -	$ 0.00
Dining	74,926.72	-	-	-	74,926.72
Bookstore Commissions	247,305.98	-	-	-	247,305.98
Daycare	396,249.13	-	-	47,634.90	348,614.23
Sales and Services of Education and Related Activities	79,660.02	-	-	-	79,660.02
Total Sales and Services	$ 1,014,506.22	$ 216,364.37	$ -	$ 47,634.90	$ 750,506.95
Nonoperating - Noncapital Gifts	$ 75,100.00	$ -	$ -	$ -	$ 75,100.00

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 14,682,114.35	$ 825,102.01	$ 445,053.36	$ -	$ -	$ -	$ 15,951,948.71
Public Service	439,356.36	24,178.56	4,245.08	-	-	-	467,780.00
Academic Support	2,998,787.93	94,757.54	44,313.83	-	-	-	3,137,859.30
Student Services	1,609,554.27	39,131.64	43,578.94		-	-	1,692,264.85
Institutional Support	1,092,731.80	265,888.24	1,337,363.75	-	-	-	2,695,983.79
Operations and Maintenance of Plant	374,788.60	679,218.58	1,219,659.43	-	664,507.60	-	2,938,174.21
Student Financial Aid	-	-	-	6,355,166.36			6,355,166.36
Auxiliary Enterprises	16,847.98	54,237.69	164,746.34	-	-	-	235,832.01
Depreciation						1,025,509.47	1,025,509.47
Pension Expense	344,485.00	-	-	-	-		344,485.00
	-		-				
Total Operating Expenses	$ 21,558,666.29	$ 1,982,514.26	$ 3,258,960.73	$ 6,355,166.36	$ 664,507.60	$ 1,025,509.47	$ 34,845,003.70

NOTE 11 - PENSION PLANS

Defined Benefit Plan

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

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2016 was 9.15% of covered payroll. The College's contributions to the pension plan were $1,145,092.82, and employee contributions were $753,987.18 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 2014 Comprehensive Annual Financial Report. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

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

Net Pension Liability: At June 30, 2016, the College reported a liability of $3,015,966 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, 2014, the College's proportion was 0.08184%, which was a decrease of .00115% from its proportion measured as of June 30, 2014.

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

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

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

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

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

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

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

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

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

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

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

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 9,077,225	$ 3,015,966	$ (2,127,712)

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 $344,485. 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	$ -	$ 342,915.00
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments (see note below)	-	326,754.00
Change in proportion and differences between agency's contributions and proportionate share of contributions	148,140.00	-
Contributions subsequent to the measurement date	1,145,093.00	
Total	$ 1,293,233.00	$ 669,669.00

$1,293,233 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	$ 342,089.00
2018	342,089.00
2019	338,545.00
2020	(501,193.00)
2021	-
Total	$ 521,530.00

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

A. Health Benefits - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the 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 the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees as authorized by Chapter 135, Article 3B, of the General Statutes. 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 determined by the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees.

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 $700,821.84, $681,422.10, and $678,193.55, 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 the 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 the 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 $51,310.17, $50,889.45, and $55,260.22, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 13 - RISK MANAGEMENT

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

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.

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

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are $1,000,000 per claim and $10,000,000 per occurrence. The community 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.

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. The North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $75,000 deductible. Losses from such occurrences for employees paid from county and institutional funds are covered by private insurance companies with coverage of $25,000 per occurrence.

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.

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.

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 - AUDIT HOURS AND COST

The audit required 150 hours at a cost of $18,000. The cost represents 0.05% of the College's total assets and 0.05% of total expenses subject to audit.

Alamance Community College
Required Supplementary Information
Schedule of the Proportionate Net Pension Liability
Teachers' and State Employees' Retirement System
Last Three Fiscal Years ***Exhibit C-1***

	2015	2014	2013
(1) Proportionate Share Percentage of Collective Net Pension Liability	0.0818400%	0.0829900%	0.0817000%
(2) Proportionate Share of TSERS Collective Net Pension Liability	$ 3,015,966.00	$ 972,992.00	$ 4,960,023.00
(3) Covered-Employee Payroll	$ 12,514,675.64	$ 12,412,060.03	$ 12,559,139.79
(4) Net Pension Liability as a Percentage of Covered-Employee Payroll	24.10%	7.84%	39.49%
(5) Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%

Alamance Community College
Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years — *Exhibit C-2*

		2016	2015	2014	2013	2012
(1)	Contractually Required Contribution	$ 1,145,092.82	$ 1,135,703.49	$ 1,091,389.25	$ 1,057,041.53	$ 929,913.19
(2)	Contributions in Relation to the Contractually Determined Contribution	1,145,092.82	1,135,703.49	1,091,389.25	1,057,041.53	929,913.19
(3)	Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
(4)	Covered-Employee Payroll	$ 12,514,675.64	$ 12,412,060.03	$ 12,559,139.79	$ 12,689,574.19	$ 12,498,833.20
(5)	Contributions as a Percentage of Covered-Employee Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

		2011	2010	2009	2008	2007
(1)	Contractually Required Contribution	$ 604,484.61	$ 432,162.03	$ 411,124.21	$ 354,955.74	$ 291,715.08
(2)	Contributions in Relation to the Contractually Determined Contribution	604,484.61	432,162.03	411,124.21	354,955.74	291,715.08
(3)	Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
(4)	Covered-Employee Payroll	$ 12,261,351.11	$ 12,105,378.94	$ 12,235,839.44	$ 11,637,892.99	$ 10,966,732.33
(5)	Contributions as a Percentage of Covered-Employee Payroll	4.93%	3.57%	3.36%	3.05%	2.66%

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

Changes of Benefit Terms:

Cost of Living Increase

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

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

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

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Report On Internal Control Over Financial Reporting
And On Compliance and Other Matters Based On An
Audit Of Financial Statements Performed In Accordance with
Government Auditing Standards

Board of Trustees
Alamance Community College
Graham, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alamance Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 11, 2017. Our report includes a reference to other auditors who audited the financial statements of Alamance Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Alamance Community College Foundation, Inc. were not audited in accordance with *Governmental Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Alamance Community College Foundation, Inc.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

S. Preston Douglas & Associates, LLP

January 11, 2017

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Audit reports issued by the Office of the State Auditor can be obtained from the web site at WWW.NCAUDITOR.NET. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise copies of audit reports may be obtained by contacting the:

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