STATE OF NORTH CAROLINA

TRI-COUNTY COMMUNITY COLLEGE

MURPHY, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2014

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

A Component Unit of the State of North Carolina

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
The General Assembly of North Carolina
Board of Trustees, Tri-County Community College

We have completed a financial statement audit of Tri-County Community College for the year ended June 30, 2014, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Tri-County Community College
Murphy, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Tri-County Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2014, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-County Community College, as of June 30, 2014, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015 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.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 31, 2015

Purpose

The information in this section is intended to provide a general overview of the Tri-County Community College's (College) financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The user is encouraged to reference the appropriate section of the financial statements for the detailed supporting information.

The College reports as a special purpose government engaged in business-type activities. Under this provision, the College presents financial statements using the economic resources measurement focus and the accrual basis of accounting. The basic financial statements under this provision are the following: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements. Included in these financial statements are the activities of Tri-County Community College Foundation, Inc. (Foundation), the College's blended component unit. The financial statements for 2012-2013 in this discussion and analysis have been restated to reflect the restatements noted in Note 15 of the financial statements.

The Statement of Net Position reports all financial and capital resources available to the College as of the end of the fiscal year. This statement presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources in order of their relative liquidity, meaning those assets that are most easily converted to cash presented first and liabilities whose maturity dates are nearest to the end of the fiscal year presented first. The college does not have any deferred outflows or inflows of resources. Net Position is presented in three categories: Investment in Capital Assets, Restricted and Unrestricted. This statement details the College's financial strength and their ability to meet current and future obligations.

The Statement of Revenues, Expenses, and Changes in Net Position reports revenues and expenses by their major sources. Revenues are shown as operating, nonoperating, or as an addition to endowments or a capital contribution. Expenses are also shown by major use as either operating or nonoperating. This statement is used to determine the extent the College is dependent upon operating or nonoperating sources of funding to continue operations.

The Statement of Cash Flows displays the cash receipts and cash payments of the College for the fiscal year. This statement is used to assess the College's ability to generate future net cash flows, to meet obligations, to identify needs for external financing, to identify the reasons for differences between operating income on the Statement of Revenues, Expenses and Changes in Net Position and associated cash receipts and payments, and to identify the effects on the College's financial position of both its cash and noncash investing, capital, and financing transactions through the fiscal year. A reconciliation of operating income to net cash flow from operating activities is provided to detail the net effects of operating transactions and other events that affect operating income and operating cash flows in different periods.

The Notes to the Financial Statements are an integral component of the basic financial statements and should be read in conjunction with the other statements in order to achieve a full understanding of the line-items presented in the financial statements.

Total Assets

The total assets of the College increased by $452,360.09 or approximately 4.48%. The assets of the College are divided between current and noncurrent holdings. Current assets include cash, short-term certificates of deposit, receivables, inventories, and prepaid items. Cash decreased by $287,648.33 or 21.29% as a result of campus renovation and improvement projects being completed and paid for, as well as, increases in insurance rates (see explanation below). Receivables increased by $205,888.45 or 230.66% due in part to the fact that a greater amount of student tuition and fees were still outstanding at year end. Further, allowances for doubtful accounts increased because of a growth in return to title IV relating to the Pell Grant charged to students. Construction project reimbursements were due as well. Inventories increased by $28,369.51 or 39.60% because additional supplies were needed on hand to complete the remainder of the summer semester (July). Prepaid insurance increased by $45,691.55 or 206.47% as a result of increased premiums relative to buildings and the newly mandated unemployment insurance act. Due from state reflects Golden Leaf funds awarded to the College.

Current Assets

Current Assets	**2013-2014**	**2012-2013**	**Change**
Cash	$ 1,063,681.56	$ 1,351,329.89	$ (287,648.33)
Investments	946,960.18	946,586.47	373.71
Receivables, Net	295,148.56	89,260.11	205,888.45
Due from State	48,590.00	55,000.00	(6,410.00)
Inventories	100,014.27	71,644.76	28,369.51
Prepaid Items	67,821.39	22,129.84	45,691.55
Total Current Assets	$ 2,522,215.96	$ 2,535,951.07	$ (13,735.11)

Noncurrent assets include cash, receivables due from the State and others for construction projects, certificates of deposit, and capital assets (land, construction in progress, buildings, general infrastructure, and equipment). Cash and investments had a marginal change from the previous year. Capital assets increased by $851,699.20 as result of a number of construction projects being started or having been completed and the purchase of new equipment. Restricted due from primary government was eliminated due to the fact that construction receivables were nonexistent as "Due from Primary Government" at year end.

Noncurrent Assets

Noncurrent Assets	2013-2014	2012-2013 (As Restated)	Change	% Change
Cash	$ 53,414.70	$ 52,414.70	$ 1,000.00	1.91%
Receivables, Net		14,642.00	(14,642.00)	-100.00%
Restricted Due from Primary Government		371,962.00	(371,962.00)	-100.00%
Investments	161,500.00	161,500.00		
Capital Assets, Net	7,812,379.26	6,960,680.06	851,699.20	12.24%
Total Noncurrent Assets	$ 8,027,293.96	$ 7,561,198.76	$ 466,095.20	6.16%

Total Liabilities

Total liabilities of the College increased by $32,634.30 or 6.10%. The liabilities of the College are divided between current liabilities payable within twelve months, and noncurrent liabilities that extend beyond a year. Long-term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year calculated at the current salary rates for each employee, consistent with the institution's leave policies. Accounts payable and accrued liabilities increased by $56,729.42 or 38.96% due to an increase in accrued payroll regarding employees who chose to spread their salaries over a 12 month period. Unearned revenue increased by $5,689.69 or 8.76% because of as increase in the July portion of summer enrollment. Funds held for others increased by $3,139.25 due to an increase in financial aid held for students. Long-term liabilities: current portion increased by $32,577.03 because of an increase in employee retirements or separations when compared to the previous year. Long-term liabilities decreased by $65,501.09 for the same reason.

Liabilities

Current Liabilities	2013-2014	2012-2013 (As Restated)	Change	% Change
Accounts Payable and Accrued Liabilities	$ 202,337.07	$ 145,607.65	$ 56,729.42	38.96%
Unearned Revenue	70,629.99	64,940.30	5,689.69	8.76%
Funds Held for Others	4,493.71	1,354.46	3,139.25	231.77%
Long-Term Liabilities-Current Portion	50,138.33	17,561.30	32,577.03	185.50%
Noncurrent Liabilities				
Long-Term Liabilities	240,350.23	305,851.32	(65,501.09)	-21.42%
Total Liabilities	$ 567,949.33	$ 535,315.03	$ 32,634.30	6.10%

Net Position

Net Position is the difference between the College's assets and deferred outflows of resources from liabilities and deferred inflows of resources. For fiscal year 2014, net position increased by $419,725.79 or 4.39% because of additional capital projects being initiated and completed and new equipment purchases. This accounts for the increase of $851,699.20 in capital assets as well. Restricted net position decreased by $483,387.05 or 29.85% due to the expense and fund balances of capital projects moving from restricted net positon to invested in capital assets. Unrestricted increased due, in part, to a bookstore contract renewal amount received.

	2013-2014	2012-2013 (As Restated)	Change	% Change
Invested in Capital Assets	$ 7,812,379.26	$ 6,960,680.06	$ 851,699.20	12.24%
Restricted	1,135,827.42	1,619,214.47	(483,387.05)	-29.85%
Unrestricted	1,033,353.91	981,940.27	51,413.64	5.24%
Total Net Assets	$ 9,981,560.59	$ 9,561,834.80	$ 419,725.79	4.39%

Total Revenues and Expenses

The College's total revenues decreased by $104,609.20 or approximately 0.84% and are classified as operating, nonoperating, capital contributions, and additions to endowments. Total expenses decreased by $311,118.83 or approximately 2.53% and are classified as either operating or nonoperating.

	2013-2014	2012-2013 (As Restated)	Change	% Change
Total Revenues	$ 12,386,456.60	$ 12,491,065.80	$ (104,609.20)	-0.84%
Total Expenses	11,966,730.81	12,277,849.64	(311,118.83)	-2.53%
Change in Net Position	**$** 419,725.79	$ 213,216.16	$ 206,509.63	96.85%

Operating Revenues

Operating revenues include student tuition and fees, net, the revenue received from sales and services, which is principally comprised of the revenue received from the bookstore, vending and patron fees, and other operating revenues. Student tuition, though identified as revenue, is remitted back to the State Treasurer and reduces the College's state aid which is identified as nonoperating revenue. Gross student tuition and fees is reduced by the scholarship discount, which represents payments toward tuition and fees from student financial aid to arrive at student tuition and fees, net. Student tuition and fees net decreased by $66,381.93 or 8.35%. A reduction in student enrollment, as well as, changes in scholarship discounts resulted in this decrease. Sales and services increased by $36,472.67 due to increased revenue regarding the

TCCC bookstore contract renewal agreement. Other operating revenue decreased by $26,907.61 or 65.98% as a result of a reduction in Foundation contributions.

	2013-2014	2012-2013 (As Restated)	Change	% Change
Student Tuition and Fees, Net	$ 728,698.27	$ 795,080.20	$ (66,381.93)	-8.35%
Sales and Services	136,764.98	100,292.31	36,472.67	36.37%
Other Operating Revenues	13,874.68	40,782.29	(26,907.61)	-65.98%
Total Operating Revenues	$ 879,337.93	$ 936,154.80	$ (56,816.87)	-6.07%

Nonoperating Revenue

Nonoperating revenues comprise the major portion of the College's income and include allocations from the North Carolina State Board of Community Colleges for current expenses, equipment purchases, and capital improvements. This revenue source also includes funds appropriated from the Cherokee, Clay, and Graham County Boards of Commissioners. Noncapital grants include funding for items such as program initiation, student financial assistance, and the Early College Program. Noncapital gifts include contributions to the Foundation and private grantors. State aid increased by $122,180.61 or 2.22% due to an increase in state budget appropriations. County funding increased for the same reason regarding local appropriations. Noncapital grants decreased by $435,120.81 due, primarily, from a reduction in PELL awards. Noncapital gifts increased by $12,817.64 as a result of additional scholarship revenue. Other nonoperating revenues decreased by $28,608.55 due to the loss incurred on disposal of assets that had been written off.

	2013-2014	2012-2013	Change	% Change
State Aid	$ 5,619,433.84	$ 5,497,253.23	$ 122,180.61	2.22%
County Appropriations	969,204.96	894,204.96	75,000.00	8.39%
Noncapital Grants	3,675,496.26	4,110,617.07	(435,120.81)	-10.59%
Noncapital Gifts	29,043.62	16,225.98	12,817.64	78.99%
Investment Income	3,048.62	2,554.98	493.64	19.32%
Other Nonoperating Revenue (Expense)	(22,508.29)	6,100.26	(28,608.55)	-468.97%
Total Net Nonoperating Revenue	$ 10,273,719.01	$ 10,526,956.48	$ (253,237.47)	-2.41%

Capital Contributions and Additions to Endowments

Capital contributions are received through appropriations from the North Carolina State Board of Community Colleges under an allocation formula for educational equipment and library books, as well as, County and other funding sources. During 2013-2014, state aid increased by $435,539.85 or 66.59% due to additional equipment expenses regarding new and existing curriculum programming. County capital aid increased by $109,009.00 as a result of funding provided for the Auto Mechanics building renovation. Capital grants decreased because of the completion of the Crisp Building addition.

	2013-2014	2012-2013	Change	% Change
State Capital Aid	$ 1,089,555.37	$ 654,015.52	$ 435,539.85	66.59%
County Capital Appropriations	109,009.00		109,009.00	100.00%
Capital Grants	9,748.00	371,962.00	(362,214.00)	-97.38%
Capital Gifts	1,417.00	1,977.00	(560.00)	-28.33%
Additions to Endowments	1,162.00		1,162.00	100.00%
Total Contributions	$ 1,210,891.37	$ 1,027,954.52	$ 182,936.85	17.80%

Operating Expenses

The College's operating expenses are comprised principally of the direct cost of personnel and their fringe benefits identified as salaries and benefits. The most significant changes are as follows. Salaries and benefits decreased by $86,335.08 or 1.22% because of personnel retirement/separation. Supplies and materials increased by 6.33% due to greater enrollment in programs that require more educational supplies. Scholarships and fellowships decreased by $300,401.30 as a result of decreased Pell awards due to lower student enrollment. Depreciation decreased by 22.15% due to useful asset life being extended on assets thus necessitating a reduction in depreciation expense.

	2013-2014	2012-2013	Change	% Change
Salaries and Benefits	$ 6,974,770.15	$ 7,061,105.23	$ (86,335.08)	-1.22%
Supplies and Materials	1,047,966.07	985,537.60	62,428.47	6.33%
Services	1,023,789.97	972,476.71	51,313.26	5.28%
Scholarships and Fellowships	2,295,356.20	2,595,757.50	(300,401.30)	-11.57%
Utilities	335,385.25	320,049.12	15,336.13	4.79%
Depreciation	266,954.88	342,923.48	(75,968.60)	-22.15%
Total Expenses	$ 11,944,222.52	$ 12,277,849.64	$ (333,627.12)	-2.72%

Significant Capital Asset Activity

The College recorded a marked increase in capital assets for fiscal year 2013-2014. The addition of new classroom space to the Crisp Building and the expansion of the Automotive Building, as well as the purchase of needed equipment accounted for the increase.

Significant Current or Future Effects on Financial Position

The College has begun to feel the effect of new industry that has located to Cherokee County. A casino and hotel are currently under construction and will have the need to employ a significant number of qualified individuals. The College has initiated programming to help satisfy this need. Further, with the recent closing of a local manufacturing plant, displaced workers have enrolled for training programs that will help them re-enter the workforce. These events, as well as, those that continue to effect changes in the local economic environment could impact the future financial position of the College.

Tri-County Community College
Statement of Net Position
June 30, 2014

Exhibit A-1

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	592,798.36
Restricted Cash and Cash Equivalents		470,883.20
Short-Term Investments		456,960.18
Restricted Short-Term Investments		490,000.00
Receivables, Net (Note 4)		295,148.56
Due from State of North Carolina Component Units		48,590.00
Inventories		100,014.27
Prepaid Items		67,821.39
Total Current Assets		2,522,215.96
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		53,414.70
Restricted Investments		161,500.00
Capital Assets - Nondepreciable (Note 5)		432,857.90
Capital Assets - Depreciable, Net (Note 5)		7,379,521.36
Total Noncurrent Assets		8,027,293.96
Total Assets		10,549,509.92
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources		0.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		202,337.07
Unearned Revenue		70,629.99
Funds Held for Others		4,493.71
Long-Term Liabilities - Current Portion (Note 7)		50,138.33
Total Current Liabilities		327,599.10
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		240,350.23
Total Liabilities		567,949.33
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources		0.00

NET POSITION

Investment in Capital Assets		7,812,379.26
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		214,914.70
Other		3,175.00
Expendable:		
Scholarships and Fellowships		87,406.04
Capital Projects		566,527.76
Specific Programs		263,803.92
Unrestricted		1,033,353.91
Total Net Position	$	9,981,560.59

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

Tri-County Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

Exhibit A-2

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	$	728,698.27
Sales and Services		136,764.98
Other Operating Revenues		13,874.68
Total Operating Revenues		879,337.93
EXPENSES		
Operating Expenses:		
Salaries and Benefits		6,974,770.15
Supplies and Materials		1,047,966.07
Services		1,023,789.97
Scholarships and Fellowships		2,295,356.20
Utilities		335,385.25
Depreciation		266,954.88
Total Operating Expenses		11,944,222.52
Operating Loss		(11,064,884.59)
NONOPERATING REVENUES (EXPENSES)		
State Aid		5,619,433.84
County Appropriations		969,204.96
Noncapital Grants - Student Financial Aid		3,476,964.55
Noncapital Grants		198,531.71
Noncapital Gifts		29,043.62
Investment Income		3,048.62
Other Nonoperating Expenses		(22,508.29)
Net Nonoperating Revenues		10,273,719.01
Loss Before Other Revenues		(791,165.58)
State Capital Aid		1,089,555.37
County Capital Aid		109,009.00
Capital Grants		9,748.00
Capital Gifts		1,417.00
Additions to Endowments		1,162.00
Increase in Net Position		419,725.79
NET POSITION		
Net Position, July 1, 2013 as Restated (Note 15)		9,561,834.80
Net Position, June 30, 2014	$	9,981,560.59

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

Tri-County Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 741,524.08
Payments to Employees and Fringe Benefits	(6,973,530.91)
Payments to Vendors and Suppliers	(2,487,022.41)
Payments for Scholarships and Fellowships	(2,295,356.20)
Other Receipts	6,031.09
Net Cash Used by Operating Activities	(11,008,354.35)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	5,619,433.84
County Appropriations	969,204.96
Noncapital Grants - Student Financial Aid	3,241,697.31
Noncapital Grants	428,686.25
Noncapital Gifts and Endowments	30,205.62
Cash Provided by Noncapital Financing Activities	10,289,227.98
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	1,461,517.37
County Capital Aid	109,009.00
Capital Gifts	1,417.00
Acquisition and Construction of Capital Assets	(1,142,054.21)
Net Cash Provided by Capital and Related Financing Activities	429,889.16
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	2,962.59
Purchase of Investments and Related Fees	(373.71)
Net Cash Provided by Investing Activities	2,588.88
Net Decrease in Cash and Cash Equivalents	(286,648.33)
Cash and Cash Equivalents, July 1, 2013	1,403,744.59
Cash and Cash Equivalents, June 30, 2014	$ 1,117,096.26

Tri-County Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(11,064,884.59)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		266,954.88
Nonoperating Other Income		891.84
Changes in Assets and Liabilities:		
Receivables, Net		(141,503.54)
Inventories		(28,369.51)
Prepaid Items		(45,691.55)
Accounts Payable and Accrued Liabilities		28,343.24
Unearned Revenue		5,689.69
Funds Held for Others		3,139.25
Compensated Absences		(32,924.06)
Net Cash Used by Operating Activities	$	(11,008,354.35)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	592,798.36
Restricted Cash and Cash Equivalents		470,883.20
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		53,414.70
Total Cash and Cash Equivalents - June 30, 2014	$	1,117,096.26

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	$	49,742.91
Loss on Disposal of Capital Assets		23,400.13

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. Tri-County 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 unit for which the College's Board of Trustees is financially accountable. The College's component unit is blended in the College's financial statements. See below for further discussion of the College's component unit.

Blended Component Unit - Although legally separate, Tri-County Community College Foundation, Inc. (Foundation) is reported as if it was part of the College. The Foundation is governed by an 18-member board consisting of 9 ex officio directors and 9 elected directors. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the elected directors of the Foundation are appointed by the members of the Tri-County Community College Board of Trustees and the Foundation's sole purpose is to benefit Tri-County Community College, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the College Controller's Office, 21 Campus Circle, Murphy NC 28906**,** or by calling 828-837-6810.

Condensed combining information regarding the blended component unit is provided in Note 14.

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, and cash on deposit with private bank accounts.

E. **Investments** – This classification includes certificates of deposit reported at cost.

F. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, as well as investments earnings due to the College. Receivables are recorded net of estimated uncollectible amounts.

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method.

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

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 100 years for buildings, and 2 to 30 years for equipment.

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

J. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.

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

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

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

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

Investment in Capital Assets - This represents the College's total investment in capital assets.

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

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

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

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

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

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

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

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 appropriations and county capital appropriations do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits - The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2014 was $230.00. The carrying amount of the College's deposits not with the State Treasurer, including certificates of deposit, was $2,225,326.44, and the bank balance was $2,263,702.97.

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, 2014, the College's bank balance in excess of federal depository insurance coverage was covered under pooling method.

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

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

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to G.S. 147-69.2. This statute authorizes investments for special funds held by the State Treasurer and includes the following investments: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities, bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments and obligations of certain entities with specified ratings.

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

As of June 30, 2014, the College held certificates of deposit in the amount of $1,108,460.18. Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note.

C. **Reconciliation of Deposits and Investments** - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2014, is as follows:

Cash on Hand	$	230.00
Carrying Amount of Deposits with Private Financial Institutions		2,225,326.44
Total Deposits and Investments	$	2,225,556.44
Deposits		
Current:		
Cash and Cash Equivalents	$	592,798.36
Restricted Cash and Cash Equivalents		470,883.20
Noncurrent:		
Restricted Cash and Cash Equivalents		53,414.70
Total Deposits		1,117,096.26
Investments		
Current:		
Short-Term Investments		456,960.18
Restricted Short-Term Investments		490,000.00
Noncurrent:		
Restricted Investments		161,500.00
Total Investments		1,108,460.18
Total Deposits and Investments	$	2,225,556.44

NOTE 3 - ENDOWMENT INVESTMENTS

Investments of the College's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Earned interest on held certificates of deposit is accrued until such time that a sufficient amount exists whereby a student scholarships can be awarded agreeable to either guidelines set forth by the College Foundation Board or by an established contractual relationship between a funds donor and the College. In no case, however, is it permissible to expend or otherwise compromise the principal balance of any endowed fund without explicit board approval authorization and/or a written agreement between the donor and the College. At June 30, 2014, the endowment net position of $29,402.37 was available to be spent of which the entire amount was restricted for specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2014, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 239,561.13	$ 91,616.66	$ 147,944.47
Student Sponsors	13,882.50		13,882.50
Intergovernmental	64,298.88		64,298.88
Investment Earnings	86.03		86.03
Other	68,936.68		68,936.68
Total Current Receivables	$ 386,765.22	$ 91,616.66	$ 295,148.56

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2014, is presented as follows:

	Balance July 1, 2013 (as restated)	Increases	Decreases	Balance June 30, 2014
Capital Assets, Nondepreciable:				
Land	$ 364,807.78	$ 34,651.12	$ 0.00	$ 399,458.90
Construction in Progress	14,642.00	33,399.00	14,642.00	33,399.00
Total Capital Assets, Nondepreciable	379,449.78	68,050.12	14,642.00	432,857.90
Capital Assets, Depreciable:				
Buildings	9,463,571.54	602,076.94		10,065,648.48
Machinery and Equipment	2,154,323.18	428,212.56	48,597.10	2,533,938.64
General Infrastructure	609,165.87	58,356.59		667,522.46
Total Capital Assets, Depreciable	12,227,060.59	1,088,646.09	48,597.10	13,267,109.58
Less Accumulated Depreciation for:				
Buildings	4,402,274.71	165,731.11		4,568,005.82
Machinery and Equipment	1,022,810.47	92,773.13	25,196.97	1,090,386.63
General Infrastructure	220,745.13	8,450.64		229,195.77
Total Accumulated Depreciation	5,645,830.31	266,954.88	25,196.97	5,887,588.22
Total Capital Assets, Depreciable, Net	6,581,230.28	821,691.21	23,400.13	7,379,521.36
Capital Assets, Net	$ 6,960,680.06	$ 889,741.33	$ 38,042.13	$ 7,812,379.26

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2014, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 42,971.84
Accrued Payroll	126,699.35
Intergovernmental Payables	32,665.88
Total Current Accounts Payable and Accrued Liabilities	$ 202,337.07

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2014, is presented as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Compensated Absences	$ 323,412.62	$ 190,515.55	$ 223,439.61	$ 290,488.56	$ 50,138.33

NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees	$ 2,019,086.70	$ 1,211,869.20	$ 78,519.23	$ 728,698.27

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 3,794,751.01	$ 839,182.74	$ 380,269.59	$ 16,898.50	$	$	$ 5,031,101.84
Academic Support	793,448.74	38,466.65	13,673.98				845,589.37
Student Services	421,113.89	1,338.26	29,168.02	25,505.00			477,125.17
Institutional Support	1,695,656.99	105,361.97	308,878.37				2,109,897.33
Operations and Maintenance of Plant	269,799.52	59,215.13	267,913.44		335,385.25		932,313.34
Student Financial Aid				2,252,952.70			2,252,952.70
Auxiliary Enterprises		4,401.32	23,886.57				28,287.89
Depreciation						266,954.88	266,954.88
Total Operating Expenses	$ 6,974,770.15	$ 1,047,966.07	$ 1,023,789.97	$ 2,295,356.20	$ 335,385.25	$ 266,954.88	$ 11,944,222.52

NOTE 10 - PENSION PLAN

Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (TSERS) is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units and local boards of education. The Plan is administered by a 14-member Board of Trustees, with the State Treasurer serving as Chairman of the Board.

Benefit and contribution provisions for the TSERS are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2014, these rates were set at 8.69% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of $5,882,674.71, of which $4,501,764.52 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were $391,203.34 and $270,105.87, respectively.

Required employer contribution rates for the years ended June 30, 2013, and 2012, were 8.33% and 7.44%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2014, 2013, and 2012, which were $391,203.34, $372,382.64, and $312,619.26, respectively.

The TSERS financial information is 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 11 - OTHER POSTEMPLOYMENT BENEFITS

A. Health Benefits - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. 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 the Teachers' and State Employees' Retirement System and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are established by the General Assembly.

For the current fiscal year the College contributed 5.40% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2013, and 2012, were 5.30% and 5.0%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2014, 2013, and 2012, which were $243,095.28, $236,930.13, and $210,093.59, 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 Teachers' and State Employees' Retirement System. 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, 2014, the College made a statutory contribution of .44% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2013, and 2012, were .44% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2014, 2013, and 2012, which were $19,807.76, $19,669.67, and $21,849.73, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 12 - RISK MANAGEMENT

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

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

Liability for 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. 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 employee dishonesty and computer fraud paid from county and institutional funds are covered through a contract with a private insurance company.

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 13 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $473,610 at June 30, 2014.

NOTE 14 - BLENDED COMPONENT UNIT

Condensed combining information for the College's blended component unit for the year ended June 30, 2014, is presented as follows:

Condensed Statement of Net Position
June 30, 2014

	TCCC	TCCC Foundation	Total
ASSETS			
Current Assets	$ 2,298,397.17	$ 223,818.79	$ 2,522,215.96
Capital Assets	7,812,379.26		7,812,379.26
Other Noncurrent Assets	18,000.00	196,914.70	214,914.70
Total Assets	10,128,776.43	420,733.49	10,549,509.92
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	0.00	0.00	0.00
LIABILITIES			
Current Liabilities	327,599.10		327,599.10
Noncurrent Liabilities	240,350.23		240,350.23
Total Liabilities	567,949.33		567,949.33
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	0.00	0.00	0.00
NET POSITION			
Investment in Capital Assets	7,812,379.26		7,812,379.26
Restricted - Nonexpendable	18,000.00	200,089.70	218,089.70
Restricted - Expendable	791,027.48	126,710.24	917,737.72
Unrestricted	939,420.36	93,933.55	1,033,353.91
Total Net Position	$ 9,560,827.10	$ 420,733.49	$ 9,981,560.59

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

	TCCC	TCCC Foundation	Total
OPERATING REVENUES			
Student Tution and Fees, Net	$ 728,698.27	$ 0.00	$ 728,698.27
Sales and Services	136,764.98		136,764.98
Other	13,874.68		13,874.68
Total Operating Revenues	879,337.93		879,337.93
OPERATING EXPENSES			
Operating Expenses	11,653,349.32	23,918.32	11,677,267.64
Depreciation	266,954.88		266,954.88
Total Operating Expenses	11,920,304.20	23,918.32	11,944,222.52
Operating Loss	(11,040,966.27)	(23,918.32)	(11,064,884.59)
NONOPERATING REVENUES (EXPENSES)			
Governmental Funding	6,588,638.80		6,588,638.80
Noncapital Grants	3,675,496.26		3,675,496.26
Noncapital Gifts	9,795.90	19,247.72	29,043.62
Investment Income	2,072.89	975.73	3,048.62
Other Nonoperating Expenses	(21,511.25)	(997.04)	(22,508.29)
Net Nonoperating Revenues	10,254,492.60	19,226.41	10,273,719.01
Capital Contributions	1,209,729.37		1,209,729.37
Additions to Endowments	162.00	1,000.00	1,162.00
Increase (Decrease) in Net Position	423,417.70	(3,691.91)	419,725.79
NET POSITION			
Net Position, July 1, 2013 As Restated	9,227,409.40	424,425.40	9,651,834.80
Net Position, June 30, 2014	$ 9,650,827.10	$ 420,733.49	$ 10,071,560.59

Condensed Statement of Cash Flows
June 30, 2014

	TCCC	TCCC Foundation	Total
Net Cash Used by Operating Activities	$ (10,983,435.79)	$ (24,918.56)	$ (11,008,354.35)
Cash Provided by Noncapital Financing Activities	10,268,980.26	20,247.72	10,289,227.98
Net Cash Provided by Capital and Related Financing Activities	429,889.16		429,889.16
Net Cash Provided by Investing Activities	51,618.92	(49,030.04)	2,588.88
Net Increase (Decrease) in Cash and Cash Equivalents	(232,947.45)	(53,700.88)	(286,648.33)
Cash and Cash Equivalents, July 1, 2013	1,167,842.63	235,901.96	1,403,744.59
Cash and Cash Equivalents, June 30, 2014	$ 934,895.18	$ 182,201.08	$ 1,117,096.26

NOTE 15 - NET POSITION RESTATEMENTS

As of July 1, 2013, net position as previously reported was restated as follows:

		Amount
July 1, 2013 Net Position as Previously Reported	$	9,552,356.35
Restatements:		
Expense CIP project not realized		(90,000.00)
Adjust 2013 unearned revenue overstatement		99,478.45
July 1, 2013 Net Position as Restated	$	9,561,834.80

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Tri-County Community College
Murphy, 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 Tri-County Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 31, 2015.

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

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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 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.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 31, 2015

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

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For additional information contact:
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919-807-7513

This audit required 318 audit hours at an approximate cost of $29,892.