

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



BLUE RIDGE COMMUNITY COLLEGE

FLAT ROCK, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



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STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
The General Assembly of North Carolina
Board of Trustees, Blue Ridge Community College

We have completed a financial statement audit of Blue Ridge Community College for the year ended June 30, 2015, 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 ways listed in the back of this report.

A handwritten signature in cursive script that reads 'Beth A. Wood'.

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
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Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency. The Auditor also has the power to summon people to produce records and to answer questions under oath.



INDEPENDENT AUDITOR'S REPORT

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Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Blue Ridge Community College
Flat Rock, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Blue Ridge 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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Blue Ridge Community College Educational Foundation, Inc., the College's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Blue Ridge Community College Educational Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Blue Ridge Community College Educational 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 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 and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Blue Ridge Community College and its discretely presented component unit, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during the year ended June 30, 2015, Blue Ridge Community College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68. – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters – Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe

the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 2, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Blue Ridge Community College's (College) annual financial statements presents an overview of the College's financial activities during the fiscal year that ended on June 30, 2015. We encourage readers to consider this information in conjunction with the financial statements and the notes to the financial statements. For more information, please contact the Chief Financial Officer at (828) 694-1730.

Overview of the Financial Statements

These basic financial statements consist of three parts: management's discussion and analysis, financial statement exhibits, and notes to the financial statements.

The financial statements of the College report information about the College using the economic resources measurement focus and the accrual basis of accounting. These statements offer short-term and long-term financial information about the College's activities.

The Statement of Net Position includes all of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. It provides information about the nature and amounts of investments in resources (assets and deferred outflows of resources) and obligations to creditors (liabilities and deferred inflows of resources). It also provides the basis for evaluating the capital structure of the College and assessing the liquidity and financial flexibility.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This Statement measures the success of the College's operations over the past year and can be used to determine whether the College has successfully recovered all its costs through tuition and fees, grants, and gifts.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the College's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to where the cash came from, what cash was used for, and the change in cash balance during the reporting period.

The notes to the financial statements are a required component of the basic financial statements and explain in further detail some of the information in the financial statements.

Financial Analysis

Condensed Statement of Net Position

Below is a condensed comparative analysis between the Statement of Net Position for the fiscal year ending June 30, 2015 and the prior fiscal year.

	2015	2014 (as restated)	Increase/ (Decrease)
Assets			
Current Assets	\$ 2,188,873	\$ 2,015,461	\$ 173,412
Noncurrent Assets			
Restricted Cash and Cash Equivalents	1,306,853	1,412,860	(106,007)
Capital Assets, Net	30,154,180	30,460,689	(306,509)
Total Assets	33,649,906	33,889,010	(239,104)
Deferred Outflows of Resources	1,043,627	830,828	212,799
Liabilities			
Current Liabilities	1,058,880	770,502	288,378
Noncurrent Liabilities	1,321,481	4,295,218	(2,973,737)
Total Liabilities	2,380,361	5,065,720	(2,685,359)
Deferred Inflows of Resources	2,706,672		2,706,672
Net Position			
Investment in Capital Assets	30,154,180	30,460,689	(306,509)
Restricted	1,606,953	1,884,522	(277,569)
Unrestricted	(2,154,633)	(2,691,093)	536,460
Total Net Position	\$ 29,606,500	\$ 29,654,118	\$ (47,618)

This condensed Statement of Net Position reflects the financial position of the College. Net position, which represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, decreased \$47,618 from the previous fiscal year.

Assets

The assets of the College are divided between current and noncurrent assets.

Current Assets - Current assets include cash, receivables, inventories, prepaid items, and notes receivable. Total current assets increased when compared to the prior fiscal year. This was largely due to an increase in unrestricted cash and cash equivalents in the form of county fund appropriations. County cash also increased over the prior year due to unspent county appropriations set aside for projects that had not been started or completed as of June 30, 2015.

Noncurrent Assets - Noncurrent assets include cash and capital assets (land, construction in progress, buildings, general infrastructure, art, and equipment). The decrease in noncurrent restricted cash and cash equivalents is in part due to the revocation of restricted Roughgarden Endowment fund assets. During 2015, following a unanimous vote from College Trustees, Roughgarden Trust fund assets were revoked and transferred to the Blue

Ridge Community College Educational Foundation, Inc. (Foundation). The decrease in capital assets is due to depreciation expense on assets still in service during the 2015 fiscal year exceeding the acquisition cost of capital asset additions.

Refer to Note 5 of the notes to the financial statements for a detail of the changes in capital assets by category.

Deferred Outflows of Resources

Deferred outflows of resources totaled \$1,043,627 for fiscal year 2015 and represents pension contributions subsequent to the measurement date and the change in proportion and differences between the College's contributions and proportionate share of pension contributions. See Note 11 to the financial statements for more details.

Liabilities

The College's debt agreements 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. Also included in long-term liabilities is net pension liability, which represents the College's proportionate share of the collective net pension liability of the Teachers' and State Employees' Retirement System (TSERS).

The College did not enter into any new financial arrangements during the year. Current liabilities are primarily limited to accounts payable, unearned tuition revenue, and the current portion of accrued employee annual leave estimated to be paid during the next fiscal year.

Current liabilities - The increase in current liabilities is largely due to the accrual of a progress billing for materials received on the Sink Building roof repair and renovation project prior to June 30, 2015.

Noncurrent liabilities - The decrease in noncurrent liabilities is primarily due to the implementation of Government Accounting Standards Board (GASB) 68 and GASB 71 which required a restatement to fiscal year 2014 to accrue for the net pension liability. The net pension liability, which decreased \$2,996,407 in fiscal year 2015, is the College's portion of the present value of projected benefit payments to be provided through the pension plan. Accrual and disclosure of net pension liability, including deferred outflows and inflows of resources and pension expense is required under GASB Statement No. 68, which is effective for fiscal year 2015.

Deferred Inflows of Resources

Deferred inflows of resources totaled \$2,706,672 and represents the difference between actual and expected experience for pensions and the net difference between projected and actual earnings on pension plan investments. See Note 11 to the financial statements for further detail.

Net Position

Net position is a measure of all the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The net position of the College was \$29,606,500 at June 30, 2015, which was a decrease of \$47,618 during fiscal year 2015.

As a result of the implementation of GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – *An Amendment of GASB Statement No. 27*, as well as GASB Statement No. 71, Pension Transitions for Contributions Made Subsequent to the Measurement Date – *An Amendment of GASB Statement No. 68*, the College was required to restate beginning net position for fiscal year 2014 in order to recognize its proportionate share of the collective TSERS net position liability, pension expense, and the deferred outflows and deferred inflows of resources. Additionally, the restatement recorded the beginning balance of the net pension liability and the deferred outflow of resources for employer contributions made subsequent to the measurement date of the beginning net position liability but before the start of the government's fiscal year. This restatement resulted in a decrease of \$2,914,991 to the fiscal year 2014 beginning net position from \$32,569,109 to \$29,654,118.

For reporting purposes, the net position is divided into four categories: investment in capital assets, restricted nonexpendable, restricted expendable, and unrestricted.

Investment in Capital Assets – Investment in capital assets represent the College's capital assets net of accumulated depreciation. The decrease of \$306,509 is the net result of additions to machinery and equipment of \$540,250, retirements of machinery and equipment of \$54,819, increases to construction in progress of \$575,604 and a net increase in accumulated depreciation of \$1,367,544.

Restricted – Nonexpendable – Nonexpendable restricted net position includes an endowment whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity. The Roughgarden Trust Fund assets were revoked and transferred to the Foundation during fiscal year 2015, which included endowment net position of \$50,000. There was no change in the remaining restricted nonexpendable net position.

Restricted – Expendable – Expendable restricted net position includes resources in which the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties. Restricted net position – expendable decreased by \$227,569 in fiscal year 2015. The decrease is primarily due to a decrease in net position available for capital projects and restricted for specific programs.

Unrestricted – Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income. During fiscal year 2015, unrestricted net position increased \$536,460. The increase is primarily due to improved funding of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to TSERS.

Statement of Revenues, Expenses, and Changes in Net Position

The activity presented on the Statement of Revenues, Expenses, and Changes in Net Position represents the change in total net position. The purpose of this statement is to present the revenues received by the College, both operating and nonoperating, and the expenses paid by the College, operating and nonoperating and any other revenues, expenses, gains and losses received.

	2015	2014*	Increase / (Decrease)
Operating Revenues			
Student Tuition and Fees, Net	\$ 2,071,027	\$ 2,178,282	\$ (107,255)
State and Local Grants and Contracts	281,133	281,657	(524)
Sales and Services, Net	253,202	240,229	12,973
Other Operating Revenues	195,191	93,614	101,577
Total Operating Revenues	<u>2,800,553</u>	<u>2,793,782</u>	<u>6,771</u>
Operating Expenses			
Salaries and Benefits	14,614,545	15,331,864	(717,319)
Supplies and Materials	1,312,644	946,101	366,543
Services	2,310,411	1,847,953	462,458
Scholarships and Fellowships	2,980,094	3,234,055	(253,961)
Utilities	509,478	573,591	(64,113)
Depreciation	1,399,465	1,405,825	(6,360)
Total Operating Expenses	<u>23,126,637</u>	<u>23,339,389</u>	<u>(212,752)</u>
Operating Loss	<u>(20,326,084)</u>	<u>(20,545,607)</u>	<u>219,523</u>
Nonoperating Revenues (Expenses)			
State Aid	11,024,651	10,987,167	37,484
County Appropriations	2,493,841	2,440,308	53,533
Noncapital Grants - Student Financial Aid	4,120,887	4,560,143	(439,256)
Noncapital Grants	602,057	549,597	52,460
Noncapital Gifts	373,923	442,520	(68,597)
Investment Income	5,399	8,800	(3,401)
Other Nonoperating Revenues (Expenses)	(103,498)	20,307	(123,805)
Net Nonoperating Revenues	<u>18,517,260</u>	<u>19,008,842</u>	<u>(491,582)</u>
Loss Before Other Revenues	<u>(1,808,824)</u>	<u>(1,536,765)</u>	<u>(272,059)</u>
State Capital Aid	340,571	384,976	(44,405)
County Capital Aid	1,046,250	1,032,047	14,203
Capital Gifts	374,385	238,131	136,254
Total Other Revenues	<u>1,761,206</u>	<u>1,655,154</u>	<u>106,052</u>
Increase (decrease) in Net Position	<u>(47,618)</u>	<u>118,389</u>	<u>(166,007)</u>
Net Position			
Net Position - Beginning of the Year, (prior to GASB 68 and GASB 71 restatement) Restatement (See Note 15)	<u>29,654,118</u>	<u>32,450,720</u> <u>(2,914,991)</u>	<u>(2,796,602)</u> <u>2,914,991</u>
Net Position - End of the Year (as restated)	<u>\$ 29,606,500</u>	<u>\$ 29,654,118</u>	<u>\$ (47,618)</u>
Reconciliation of Increase in Net Position			
Total Revenue	\$ 23,182,517	\$ 23,457,778	\$ (275,261)
Less: Total Expenses	<u>23,230,135</u>	<u>23,339,389</u>	<u>(109,254)</u>
Increase in Net Position	<u>\$ (47,618)</u>	<u>\$ 118,389</u>	<u>\$ (166,007)</u>

*Note: The year ended June 30, 2014 column is not presented "as restated" above because actuarial calculations performed relative to the implementation of GASB 68 and GASB 71 do not provide sufficient information to restate these amounts.

Total Revenues and Expenses

The College's total revenues are classified as operating, nonoperating, and capital contributions. Total expenses are classified as either operating or nonoperating. Total revenues decreased more than total expenses decreased.

Revenues

Operating revenues include student tuition and fees, state and local grants, and revenue earned from sales and services; principally comprised of commissions received from the bookstore, vending contracts, live project fees, and conferences and event services.

Although in-state part-time student tuition rates increased over the prior year, a decline in overall enrollment produced a decrease in tuition and fees revenue. Other operating revenues increased over the prior year due to an increase in curriculum specific fees revenue and an increase in revenues generated from the Blue Ridge Center for Life Long Learning.

Refer to Note 9 in the notes to the financial statements for a detail of sales and services revenues.

Nonoperating Revenues

Nonoperating revenues, which comprise the major portion of the College's income, are all revenue sources that are nonexchange in nature. They consist of formula allocations from the North Carolina State Board of Community Colleges (NCCCS), funds appropriated by the Henderson County and Transylvania County Boards of Commissioners, and various noncapital grants.

The decrease in noncapital grants is due to a decline in student financial aid, specifically from the Federal Pell Grant, resulting from a decline in enrollment. Noncapital gifts decreased due to a decline in donations from the Foundation. The decrease in other nonoperating revenues (expenses) is attributable to a transfer of the Roughgarden Endowment fund assets to the Foundation.

Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and related fringe benefits. Depreciation expense is identified consistent with the requirements for GASB Statements No. 34 and 35.

The decrease in salaries and benefits is due to a decrease in expenses related to institutional support, specifically a result of vacancies in or eliminations of executive vice president positions. For fiscal year 2015, GASB Standard 68 required the College to accrue for and report its proportionate share of the collective TSERS net pension liability and related pension expenses. These accruals resulted in the recognition of retirement contributions of \$869,313, a reduction of salaries and benefits, recognition of pension expense of \$366,779, an increase to salaries and benefits, netting an overall reduction of \$717,319 to salaries and benefits.

The increase in supplies and materials and services is a result of the completion of several projects during fiscal year 2015, including painting, replacing a roof, doors and locks, and updating signage across campus. During fiscal year 2015, the College began outsourcing custodial services, which also produced an increase in services due to this cost no longer

being included in salaries and benefits. Scholarships and fellowship expense decreased due to a decline in student enrollment, which decreased the Federal Pell Grants awarded during fiscal year 2015.

Capital Contributions

Capital contributions are received from appropriations from the NCCCS under a formula allocation for capital improvements, educational equipment, and library books.

A portion of state capital aid for equipment was redirected to cover instructional and institutional expenses, resulting in a decrease of state capital aid for 2015. The College's budget is approved on an annual basis by the Board of Trustees. The Board of Trustees authorizes the President of the College the authority to modify the budget amounts including transfers from one function to another within the limitations set forth by the respective funding authority. The variance in capital gifts is due to an increase in items donated by the Foundation.

Capital Asset Activity

During fiscal year 2015, significant completed projects included the renovation of the cafeteria in the Killian building, the completion of Phase I of the Advanced Manufacturing/Customized Training Center in the Spearman building, and renovations and installations of HVAC units in the Technology Education and Development Center. Also, additions to machinery and equipment as items purchased or donated include brewing systems, lathes, canning system, and emergency generator system.

Looking forward, the Board of Trustees of the College approved the priorities of the College Master Facility Plan for the next five years. The College's top priorities included in the Plan include the expansion of the Spearman Building to accommodate the Advanced Manufacturing/Customized Training Centers with a tentative completion date of Fall 2017. Additionally, the College is working with the Henderson County Public Schools to construct an innovative high school on the Henderson County Campus with a tentative completion date of Fall of 2018.

Economic Outlook

The economy of Western North Carolina has been steadily gaining strength, with both Henderson and Transylvania counties experiencing lower unemployment rates than state and national averages. During these cycles of low unemployment rates, the College has experienced a steady decline of enrollment as students return to work. Additionally, two other factors have contributed to the College's enrollment decline: 1) the privatization of the federal General Education Development Program, and 2) the elimination of College-provided training at the Schenck Civilian Job Corp, a federal program funded under the Workforce Investment Act.

Anticipating the decreased funding associated with the overall enrollment decline, the College has reviewed (and continues to review) options that would lessen the effects on the College's budget. The College has put more focus on recruitment of high school students through the Career and College Promise Program and has increased efforts on student retention and completion. With emphases on community engagement and workforce development, the College has actively collaborated with a variety of organizations, businesses, and schools to enhance educational programs and services at the College. Most

recently the College has partnered with Wingate University, Pardee Hospital, Henderson County Commissioners, and the City of Hendersonville, to build a state-of-the-art health science facility and cancer center where students will have the opportunity to train and learn for jobs in the growing health industry in Western North Carolina. Through similar collaborations in addition to planning and cost controls, the College will be able to maintain its healthy financial position during fiscally challenging times with minimal impact on its employees and students.



FINANCIAL STATEMENTS

Blue Ridge Community College
Statement of Net Position
June 30, 2015

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,312,991
Restricted Cash and Cash Equivalents	250,259
Receivables, Net (Note 4)	283,795
Inventories	90,208
Prepaid Items	249,281
Notes Receivable, Net (Note 4)	2,339
	<hr/>
Total Current Assets	2,188,873
	<hr/>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	1,306,853
Capital Assets - Nondepreciable (Note 5)	1,590,269
Capital Assets - Depreciable, Net (Note 5)	28,563,911
	<hr/>
Total Noncurrent Assets	31,461,033
	<hr/>

Total Assets	33,649,906
	<hr/>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	1,043,627
	<hr/>

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	645,742
Due to Primary Government	1,175
Unearned Revenue	240,075
Funds Held for Others	35,863
Long-Term Liabilities - Current Portion (Note 7)	136,025
	<hr/>

Total Current Liabilities	1,058,880
	<hr/>

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	1,321,481
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Total Liabilities	2,380,361
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	2,706,672
	<hr/>

Blue Ridge Community College
Statement of Net Position
June 30, 2015

Exhibit A-1
Page 2 of 2

NET POSITION

Investment in Capital Assets	30,154,180
Restricted for:	
Nonexpendable:	
Loans	1,500
Expendable:	
Scholarships and Fellowships	140,630
Loans	26,248
Capital Projects	1,304,185
Restricted for Specific Programs	134,390
Unrestricted	<u>(2,154,633)</u>
Total Net Position	<u><u>\$ 29,606,500</u></u>

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

Blue Ridge Community College
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2015

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 9)	\$ 2,071,027
State and Local Grants and Contracts	281,133
Sales and Services, Net (Note 9)	253,202
Other Operating Revenues	195,191

Total Operating Revenues	2,800,553
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EXPENSES

Operating Expenses:

Salaries and Benefits	14,614,545
Supplies and Materials	1,312,644
Services	2,310,411
Scholarships and Fellowships	2,980,094
Utilities	509,478
Depreciation	1,399,465

Total Operating Expenses	23,126,637
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Operating Loss	(20,326,084)
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NONOPERATING REVENUES (EXPENSES)

State Aid	11,024,651
County Appropriations	2,493,841
Noncapital Grants - Student Financial Aid	4,120,887
Noncapital Grants	602,057
Noncapital Gifts	373,923
Investment Income	5,399
Other Nonoperating Expenses	(103,498)

Net Nonoperating Revenues	18,517,260
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Income Before Other Revenues	(1,808,824)
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State Capital Aid	340,571
County Capital Aid	1,046,250
Capital Gifts	374,385

Decrease in Net Position	(47,618)
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NET POSITION

Net Position, July 1, 2014 as Restated (Note 15)	29,654,118
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Net Position, June 30, 2015	\$ 29,606,500
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The accompanying notes to the financial statements are an integral part of this statement.

Blue Ridge Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 2,861,395
Payments to Employees and Fringe Benefits	(15,091,418)
Payments to Vendors and Suppliers	(3,898,104)
Payments for Scholarships and Fellowships	(3,015,624)
Loans Issued to Students	(6,444)
Collection of Loans to Students	2,076
Other Payments	(73,726)
	<hr/>
Net Cash Used by Operating Activities	(19,221,845)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	11,024,651
County Appropriations	2,493,841
Noncapital Grants - Student Financial Aid	4,120,887
Noncapital Grants	680,941
Noncapital Gifts	373,923
William D. Ford Direct Lending Receipts	2,712,009
William D. Ford Direct Lending Disbursements	(2,712,009)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	18,694,243

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	340,571
County Capital Aid	1,046,250
Acquisition and Construction of Capital Assets	(741,469)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	645,352

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	5,399
	<hr/>
Net Increase in Cash and Cash Equivalents	123,149
Cash and Cash Equivalents, July 1, 2014	2,746,954
	<hr/>
Cash and Cash Equivalents, June 30, 2015	\$ 2,870,103

Blue Ridge Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (20,326,084)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,399,465
Provision for Uncollectible Loans and Write-Offs	2,477
Pension Expense	366,779
Nonoperating Other Expenses	(80,600)
Changes in Assets, Liabilities, and Deferred Outflows of Resources:	
Receivables, Net	12,371
Inventories	(29,375)
Prepaid Items	(4,245)
Notes Receivable, Net	(4,368)
Accounts Payable and Accrued Liabilities	248,494
Due to Primary Government	1,068
Unearned Revenue	12,941
Funds Held for Others	6,874
Deferred Outflows - Contributions After the Measurement Date	(869,313)
Compensated Absences	41,671
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (19,221,845)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 1,312,991
Restricted Cash and Cash Equivalents	250,259
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	1,306,853
	<hr/>
Total Cash and Cash Equivalents - June 30, 2015	<u><u>\$ 2,870,103</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through a Gift	\$ 374,385
Increase in Receivables Related to Nonoperating Income	3,321
Loss on Disposal of Capital Assets	(22,898)

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

Blue Ridge Community College Educational Foundation, Inc.
Statement of Financial Position
June 30, 2015

Exhibit B-1

ASSETS

Current Assets:

Cash and Equivalents	\$ 636,481
Promises to Give	45,320
Other Receivables	16,570
	<hr/>

Total Current Assets 698,371

Investments

10,107,213

Total Assets

\$ 10,805,584

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	<hr/> \$ 1,011
------------------	----------------

Net Assets:

Unrestricted	
Undesignated	823,712
Board-Designated	9,272
	<hr/>

Total Unrestricted 832,984

Temporarily Restricted 2,390,045

Permanently Restricted

7,581,544

Total Net Assets

10,804,573

Total Liabilities and Net Assets

\$ 10,805,584

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

Blue Ridge Community College Educational Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2015

Exhibit B-2

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 239,190	\$ 293,004	\$ 228,851	\$ 761,045
Interest and Dividends	21,136	85,656		106,792
Net Realized and Unrealized Gains on Investments	4,596	4,715		9,311
Transfers	2,455	(10,580)	8,125	
Other	1,360	10,607		11,967
Net Assets Released from Restrictions	424,607	(424,607)		
Total Public Support and Revenues	<u>693,344</u>	<u>(41,205)</u>	<u>236,976</u>	<u>889,115</u>
EXPENSES				
Program Services				
Scholarship Awards	297,276			297,276
Other Student Financial Assistance	5,323			5,323
Other Awards	494,743			494,743
Total Program Services	<u>797,342</u>			<u>797,342</u>
Supporting Services	148,970			148,970
Total Expenses	<u>946,312</u>			<u>946,312</u>
Increase (Decrease) in Net Assets	(252,968)	(41,205)	236,976	(57,197)
Net Assets at Beginning of Year	<u>1,085,952</u>	<u>2,431,250</u>	<u>7,344,568</u>	<u>10,861,770</u>
Net Assets at End of Year	<u>\$ 832,984</u>	<u>\$ 2,390,045</u>	<u>\$ 7,581,544</u>	<u>\$ 10,804,573</u>

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



NOTES TO THE FINANCIAL STATEMENTS

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. Blue Ridge Community College (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 discretely presented in the College's financial statements. See below for further discussion of the College's component unit.

Discretely Presented Component Unit – Blue Ridge Community College Educational Foundation, Inc. (Foundation) is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation is a legally separate, tax-exempt component unit of 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 15 members. 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 nonprofit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2015, the Foundation distributed \$753,590 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation by calling 828-694-1710.

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

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

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

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

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from state and local governments and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. 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 fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

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

Depreciation is computed using the straight-line 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

The outdoor sculpture collection is capitalized at fair value at the date of donation. This collection is depreciated over the life of the collection using the straight-line method. The estimated useful life for the collection is 25 years.

- 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, and resources whose use is limited by external parties or statute.
- I. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include net pension liability and compensated absences that will not be paid within the next fiscal year.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2014 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 11 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 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.

K. 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 outflows and inflows of resources.

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

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

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

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 printing and copy services. 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, and to supplement faculty salaries. 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

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 \$1,542,373 and a bank balance of \$1,640,700.

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

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

At June 30, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$1,325,680 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2015. Assets and shares of the STIF are valued at amortized cost,

which approximates fair value. Deposit and investment risks associated with the State Treasurer’s Investment Pool (which includes the State Treasurer’s STIF) are included in the State of North Carolina’s *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller’s Internet home page <http://www.osc.nc.gov/> and clicking on “Reports” or by calling the State Controller’s Financial Reporting Section at (919) 707-0500.

Component Unit - Investments of the College’s discretely presented component unit, the Foundation, are subject to and restricted by G.S. 36E “Uniform Prudent Management of Institutional Funds Act” (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

<u>At June 30, 2015</u>	<u>Fair Value</u>
Cash and Money Market Funds	\$ 665,799
Equity Securities	6,385,866
Mutual Funds - Balanced Fixed Income	796,884
Government Bonds	932,764
Corporate Bonds	869,155
Mortgage Backed Securities	<u>456,745</u>
Total Investments	<u>\$ 10,107,213</u>

NOTE 3 - DONOR RESTRICTED ENDOWMENTS

The College’s endowment assets are pooled with state agencies and similar institutions in short-term investments with the State Treasurer’s Cash and Investment Pool, and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. 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 assets of the endowment funds. Annual payouts from the College’s endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2015, net appreciation of \$1,257 was available to be spent, which was classified in net position as restricted expendable for specific purposes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 142,936	\$ 77,771	\$ 65,165
Student Sponsors	18,790	10,224	8,566
Intergovernmental	65,177		65,177
Other	144,887		144,887
Total Current Receivables	\$ 371,790	\$ 87,995	\$ 283,795
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	\$ 5,130	\$ 2,791	\$ 2,339

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets, Nondepreciable:				
Land	\$ 1,590,269	\$ 0	\$ 0	\$ 1,590,269
Construction in Progress	130,383	575,604	705,987	130,383
Total Capital Assets, Nondepreciable	1,720,652	575,604	705,987	1,590,269
Capital Assets, Depreciable:				
Buildings	39,279,888	705,987		39,985,875
Machinery and Equipment	6,768,149	540,250	54,819	7,253,580
Art, Literature, and Artifacts	55,000			55,000
General Infrastructure	1,307,388			1,307,388
Total Capital Assets, Depreciable	47,410,425	1,246,237	54,819	48,601,843
Less Accumulated Depreciation for:				
Buildings	14,813,627	881,664		15,695,291
Machinery and Equipment	3,028,673	479,137	31,921	3,475,889
Art, Literature, and Artifacts	11,583	2,200		13,783
General Infrastructure	816,505	36,464		852,969
Total Accumulated Depreciation	18,670,388	1,399,465	31,921	20,037,932
Total Capital Assets, Depreciable, Net	28,740,037	(153,228)	22,898	28,563,911
Capital Assets, Net	\$ 30,460,689	\$ 422,376	\$ 728,885	\$ 30,154,180

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>Amount</u>
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 337,156
Accrued Payroll	305,908
Other	<u>2,678</u>
Total Current Accounts Payable and Accrued Liabilities	<u>\$ 645,742</u>

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2014 (As Restated)	Additions	Reductions	Balance June 30, 2015	Current Portion
Net Pension Liability	\$ 3,745,819	\$ 0	\$ 2,996,407	\$ 749,412	\$ 0
Compensated Absences	<u>666,423</u>	<u>509,169</u>	<u>467,498</u>	<u>708,094</u>	<u>136,025</u>
Total Long-Term Liabilities	<u>\$ 4,412,242</u>	<u>\$ 509,169</u>	<u>\$ 3,463,905</u>	<u>\$ 1,457,506</u>	<u>\$ 136,025</u>

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

NOTE 8 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for copiers in fiscal year 2011. Future minimum lease payments under cancelable operating leases consist of the following at June 30, 2015:

<u>Fiscal Year</u>	<u>Amount</u>
2016	<u>\$ 43,339</u>

Rental expense for all operating leases during the year was \$68,901.

NOTES TO THE FINANCIAL STATEMENTS

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, Net	\$ 3,608,290	\$ 0	\$ 1,525,039	\$ 12,224	\$ 2,071,027
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	\$ 103,009	\$ 0	\$ 0	\$ 0	\$ 103,009
Printshop	127,483	127,483			
Rent	70,845				70,845
Other	12,871				12,871
Sales and Services of Education and Related Activities	66,477				66,477
Total Sales and Services, Net	\$ 380,685	\$ 127,483	\$ 0	\$ 0	\$ 253,202

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Equipment	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 8,654,727	\$ 554,852	\$ 493,683	\$ 49,998	\$ 0	\$ 0	\$ 9,753,260
Research	17,383						17,383
Academic Support	1,799,353	46,339	45,593				1,891,285
Student Services	1,096,224	11,907	265,664	18,830			1,392,625
Institutional Support	2,258,378	179,570	675,004				3,112,952
Operations and Maintenance of Plant	697,276	477,355	737,035		509,478		2,421,144
Student Financial Aid			1,125	2,905,171			2,906,296
Auxiliary Enterprises	91,204	42,621	92,307	6,095			232,227
Depreciation						1,399,465	1,399,465
Total Operating Expenses	\$ 14,614,545	\$ 1,312,644	\$ 2,310,411	\$ 2,980,094	\$ 509,478	\$ 1,399,465	\$ 23,126,637

NOTE 11 - PENSION PLAN

Defined Benefit Plan

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

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

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2015 was 9.15% of covered payroll. The College's contributions to the pension plan were \$869,313, and employee contributions were \$570,042 for the year ended June 30, 2015.

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

TSERS Basis of Accounting: The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The plan's fiduciary net position was determined on the same basis used by the pension plan.

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

Net Pension Liability: At June 30, 2015, the College reported a liability of \$749,412 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the College's proportion was .06392%, which was an increase of .00222% from its proportion measured as of June 30, 2013.

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

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

* Salary increases include 3.5% inflation and productivity factor.

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

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

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

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

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

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

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

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

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

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 5,379,795	\$ 749,412	\$ (3,160,273)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2015, the College recognized pension expense of \$366,779. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 0	\$ 174,684
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		2,531,988
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	174,314	
Contributions Subsequent to the Measurement Date	869,313	
Total	<u>\$ 1,043,627</u>	<u>\$ 2,706,672</u>

The amount of \$869,313 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	<u>Amount</u>
2016	\$ (633,095)
2017	(633,095)
2018	(633,095)
2019	<u>(633,073)</u>
Total	<u>\$ (2,532,358)</u>

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

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

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

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

For the current fiscal year the College contributed 5.49% of the covered payroll under TSERS to the Fund. Required contribution rates for the

years ended June 30, 2014, and 2013, were 5.4% and 5.3%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, which were \$521,588, \$516,280, and \$497,530, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

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

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2015, the College made a statutory contribution of .41% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2014, and 2013, were .44% in both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2015, 2014, and 2013, which were \$38,953, \$42,067, and \$41,304, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 13 - RISK MANAGEMENT

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

A. Employee Benefit Plans**1. State Health Plan**

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

2. Death Benefit Plan of North Carolina

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

B. Other Risk Management and Insurance Activities**1. Automobile, Fire, and Other Property Losses**

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

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

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a

premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. Employee dishonesty insurance for employees who are paid from non-state funds is purchased from a private insurance company with coverage of \$75,000 per occurrence with a \$500 deductible.

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the College

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance for student accident, multimedia, internet security, and cosmetology, nursing assistance, registered nursing, surgical technology and emergency medical liability policies.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$215,877 at June 30, 2015. There were no outstanding commitments on other purchases.
- B. Pending Litigation and Claims** - The College is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. College management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the College.

NOTE 15 - NET POSITION RESTATEMENT

As of July 1, 2014, net position as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2014 Net Position as Previously Reported	\$ 32,569,109
Restatement:	
Record the College's Net Pension Liability and Pension Related Deferred Outflows of Resources Per GASB 68 Requirements	<u>(2,914,991)</u>
July 1, 2014 Net Position as Restated	<u><u>\$ 29,654,118</u></u>



REQUIRED SUPPLEMENTARY INFORMATION

**Blue Ridge Community College
 Required Supplementary Information
 Schedule of the Proportionate Net Pension Liability
 Teachers' and State Employees' Retirement System
 Last Two Fiscal Years**

Exhibit C-1

	<u>2014</u>	<u>2013</u>
Proportionate Share Percentage of Collective Net Pension Liability	0.06392%	0.06170%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 749,412	\$ 3,745,819
Covered-Employee Payroll	\$ 9,560,738	\$ 9,387,356
Net Pension Liability as a Percentage of Covered-Employee Payroll	7.84%	39.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

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

Exhibit C-2

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarial Required Contribution	\$ 869,313	\$ 830,828	\$ 781,967	\$ 676,561	\$ 439,113
Contributions in Relation to the Contractually Determined Contribution	<u>869,313</u>	<u>830,828</u>	<u>781,967</u>	<u>676,561</u>	<u>439,113</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-Employee Payroll	\$ 9,500,692	\$ 9,560,738	\$ 9,387,356	\$ 9,093,558	\$ 8,906,962
Contributions as a Percentage of Covered-Employee Payroll	9.15%	8.69%	8.33%	7.44%	4.93%

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarial Required Contribution	\$ 302,662	\$ 282,267	\$ 254,694	\$ 225,273	\$ 188,827
Contributions in Relation to the Contractually Determined Contribution	<u>302,662</u>	<u>282,267</u>	<u>254,694</u>	<u>225,273</u>	<u>188,827</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-Employee Payroll	\$ 8,477,922	\$ 8,400,807	\$ 8,350,621	\$ 8,468,926	\$ 8,069,530
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

**Blue Ridge Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
For the Fiscal Year Ended June 30, 2015**

Changes of Benefit Terms:

									<u>Cost of Living Increase</u>
<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	
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.



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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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
Blue Ridge Community College
Flat Rock, 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 Blue Ridge 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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 2, 2016. Our report includes a reference to other auditors who audited the financial statements of Blue Ridge Community College Educational Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Blue Ridge Community College Educational Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Blue Ridge Community College Educational 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be

prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free 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, CPA
State Auditor

Raleigh, North Carolina

February 2, 2016

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