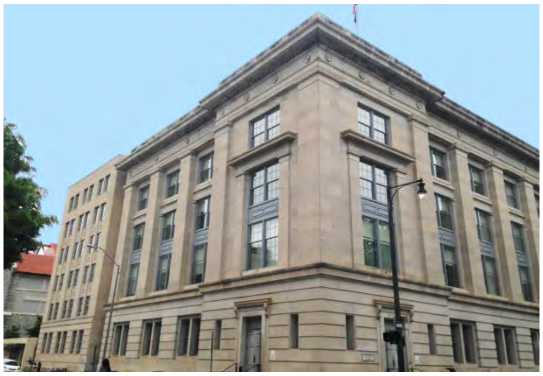
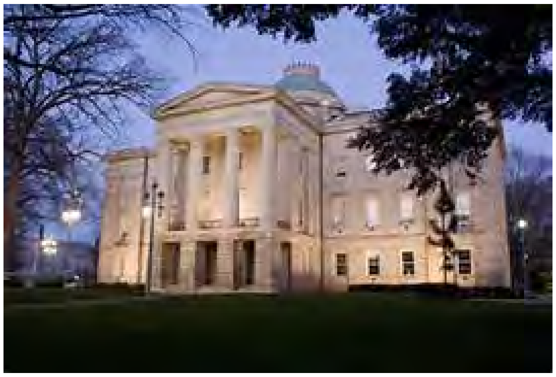
STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA





MARTIN COMMUNITY COLLEGE

WILLIAMSTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2015

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA

NCOSA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
http://www.ncauditor.net

AUDITOR'S TRANSMITTAL

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

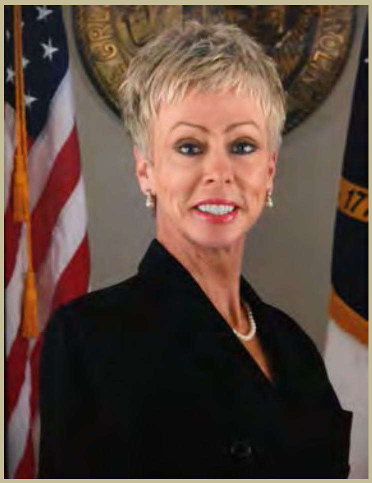
We have completed a financial statement audit of Martin Community College for the year ended June 30, 2015, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements disclosed certain deficiencies that are detailed in the Audit Findings and Responses section of this report. The College's response is included following each finding.

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.

Beth A. Wood

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

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

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Martin Community College
Williamston, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Martin 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 Martin Community College 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 opinions, insofar as they relate to the amounts included for the Foundation, are 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 Martin Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Martin 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, Martin 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 May 20, 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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

May 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This section of Martin Community College's Financial Statement Audit Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal years ended June 30, 2015, and June 30, 2014. Since this Management's Discussion and Analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the College's basic financial statements and the notes to the financial statements. Responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

Martin Community College's discussion and analysis provides a summary of the College's financial statements and a comparison of prior year information. This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (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 College's basic financial statements are designed to emulate corporate presentation models whereby all college activities are consolidated into one total. They are prepared under the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recognized when an obligation has been incurred. In summary, the reporting format is intended to condense and simplify the user's analysis of costs of various college services to students and the public. The three statements are featured below with brief descriptions of each financial focus.

The Statement of Net Position is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources with capital assets. The Statement of Net Position includes all assets, liabilities, and deferred inflows and outflows of resources. Over time, increases or decreases in net position are indicators of the improvement or erosion of the College's financial health.

The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross costs, and the net costs of college activities which are supported by state, local, federal, and other revenues. This statement presents the revenues earned, and expenses incurred during the year. Activities are reported as either operating or nonoperating. A community college's dependency on state aid and gifts could result in operating deficits because the financial reporting model classifies state and local appropriations and gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing, and related investing activities, and helps measure the ability to meet financial obligations as they mature. The direct method is used to present the Statement of Cash Flows.

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

Financial Analysis of Statement of Net Position

The following condensed Statement of Net Position compares the current year information with the prior year and indicates the monetary and percentage increase or decrease between years.

Condensed Statement of Net Position
(in thousands)

	2015	2014 (as restated)	Increase (Decrease)	Percent Change
Assets				
Current Assets	$ 2,998.28	$ 2,487.52	$ 510.76	21%
Capital Assets	7,343.73	7,055.22	288.51	4%
Other Assets	770.73	981.43	(210.70)	-21%
Total Assets	11,112.74	10,524.17	588.57	6%
Deferred Outflows	280.02	272.71	7.31	3%
Liabilities				
Current Liabilities	722.87	233.48	489.39	210%
Long-Term Liabilities	510.57	1,519.91	(1,009.34)	-66%
Total Liabilities	1,233.44	1,753.39	(519.95)	-30%
Deferred Inflows	883.87		883.87	
Net Position				
Invested in Capital Assets	7,343.73	7,055.22	288.51	4%
Restricted	548.42	1,132.13	(583.71)	-52%
Unrestricted	1,383.30	856.14	527.16	62%
Total Net Position	$ 9,275.45	$ 9,043.49	$ 231.96	3%

As of June 30, 2015, the College's total assets were $11.11 million. This is an overall increase of 6% from the previous fiscal year. Current assets increased by 21%. The increase in current assets was mostly due to a $540.68 thousand increase in current cash and cash equivalents. Current restricted cash increased due to $265.00 thousand received from the Golden Leaf Grant and $336.40 thousand in funds related to current liabilities for purchases at year end, while current unrestricted cash decreased by $74.16 thousand due to a loss in the Campus Cafe.

Capital assets increased by $288.51 thousand due to machinery and equipment purchases of $651.90 thousand made during the year to update and refurbish several program areas. The increase in capital assets was offset by increases in depreciation of $358.79 thousand.

Other assets decreased by $210.70 thousand. The decrease was mainly due to noncurrent restricted cash. Noncurrent restricted cash decreased by $194.02 thousand due to equipment purchases.

The current liabilities caption represents the College's accounts payable and current portion of compensated absences. Current liabilities caption increased by $489.39 thousand which was attributed to a $464.40 thousand increase in vendor payables from the prior year which was largely related to increased spending in the latter months of the fiscal year and a $32.89 thousand increase in the current portion of compensated absences resulting from increased employee payouts due to retirements and vacated positions. The long-term liabilities caption represents the College's compensated absences, which is the noncurrent, unused portion of earned vacation leave and special annual leave bonuses. In 2015 the long-term liabilities decreased by $1.01 million due to employee payouts as discussed above and a reduction of the Net Pension Liability amount required by GASB 68. The College has no other sources of long-term debt.

The largest of the College's net position, $7.34 million, are reflected in invested in capital assets (land, construction in progress, buildings, machinery and equipment, and general infrastructure). Unrestricted net position increased 62% primarily due to an increase in cash balances as discussed above.

Financial Analysis of Statement of Revenues, Expenses, and Changes in Net Position

Revenues

The following chart was prepared from the College's Statement of Revenues, Expenses, and Changes in Net Position and compares the College's revenues for the 2015 and 2014 fiscal years.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
(in thousands)

	2015	2014*	Increase (Decrease)	Percent Change
Operating Revenues				
Student Tuition and Fees, Net	$ 476.61	$ 432.72	$ 43.89	10%
Sales and Services, Net	246.57	213.74	32.83	15%
Other Operating Revenues	24.75	17.30	7.45	43%
Total Operating Revenues	747.93	663.76	84.17	13%
Less Operating Expenses	9,592.37	8,662.62	929.75	11%
Operating Loss	(8,844.44)	(7,998.86)	(845.58)	11%
Nonoperating and Other Revenues				
State Aid	5,800.23	4,363.76	1,436.47	33%
County Appropriations	978.07	983.01	(4.94)	-1%
Noncapital Grants-Fed Student Financial Aid	1,248.20	1,725.57	(477.37)	-28%
Noncapital Grants	567.15	351.09	216.06	62%
Other Nonoperating Revenues	26.90	25.70	1.20	5%
Additions to Endowments		8.80	(8.80)	100%
Capital Aid and Grants	459.94	435.07	24.87	6%
Total Nonoperating and Other Revenues	9,080.49	7,893.00	1,187.49	15%
Less Nonoperating Expenses	4.09		4.09	
Change in Net Position	231.96	(105.86)	337.82	-319%
Net Position - Beginning of Year	9,043.49	10,175.84	(1,132.35)	-11%
Less: Restatement		1,026.49	1,026.49	100%
Net Position - End of Year	$ 9,275.45	$ 9,043.49	$ 231.96	3%

Fiscal year 2014-2015 total revenues are $9,828,425.09 and total expenses are $9,596,464.34
Fiscal year 2013-2014 total revenues are $8,556,762.13 and total expenses are $8,662,623.26

* 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 do not provide sufficient information to restate these amounts.

Overall, total operating revenues increased by $84.17 thousand. Student tuition and fees increased by $43.89 thousand due to an increase in the tuition rate while sales and services increased by $32.83 thousand. The increase in bookstore sales is due to an increase in the costs of books.

Nonoperating and other revenues increased by approximately $1.19 million. State aid increased by $1.44 million last year while county appropriations decreased by $4.94 thousand. Noncapital grants-federal financial aid decreased by $477.37 thousand due to a decline in enrollment. Noncapital grants increased by $216.06 thousand due primarily to a newly acquired Golden LEAF grant.

The College is a state supported college that provides subsidized educational services to the citizens of its service area. As such, it is expected that operating expenses will exceed operating revenues every year, resulting in an operating loss. The operating loss is offset by state and county appropriations, federal financial aid grants and other nonoperating revenues. The College receives appropriations from the State and from Martin, Bertie, and Washington counties. State aid provides funds for the operational and administrative needs of the College based on the number of student Full Time Equivalents (FTE) from the previous year's enrollment. Martin, Bertie, and Washington counties provide funds for the operation and maintenance of the facilities in the respective counties. In upcoming years revenues from Washington County will no longer be a factor because Martin Community College will no longer have centers in the county. These revenues are instrumental to the College's mission and operations; however, these revenues are considered nonoperating for financial reporting purposes in accordance with GASB guidelines.

Expenses

The following chart was prepared from the College's Statement of Revenues, Expenses, and Changes in Net Position and compares the College's operating expenses for the 2015 and 2014 fiscal years.

Operating Expenses
(in thousands)

	2015	2014	Increase (Decrease)
Operating Expenses			
Salaries and Benefits	$ 5,179.37	$ 5,257.43	$ (78.06)
Supplies and Materials	1,981.48	1,117.71	863.77
Services	1,164.82	836.17	328.65
Scholarships and Fellowships	627.08	815.94	(188.86)
Utilities	280.83	289.46	(8.63)
Depreciation	358.79	345.91	12.88
Total Operating Expenses	$ 9,592.37	$ 8,662.62	$ 929.75

Total operating expenses were increased by $929.75 thousand from the previous fiscal year. Salaries and benefits decreased by $78.06 thousand due to positions which were vacant for the majority of the year. Supplies and materials increased by $863.77 thousand which can be attributed to the increased spending of the last quarter of the fiscal year. Services increased by $328.65 thousand largely due to several campus repair and renovation projects during the year such as painting, replacing tile on floors, and replacing lights with more efficient LED lighting. Scholarships and fellowships expense had a $188.86 thousand decrease due to a decline in enrollment.

Financial Analysis of Capital Assets

At the end of fiscal year 2015, capital assets totaled $7.34 million, net of accumulated depreciation, as presented in the following table.

Capital Assets
(in thousands)

	2015	2014	Increase (Decrease)	Percent Change
Land	$ 166.28	$ 166.28	$ 0.00	0%
Construction in Progress	95.00	95.00		0%
Buildings	4,255.61	4,444.99	(189.38)	-4%
Machinery and Equipment	1,345.67	810.61	535.06	66%
General Infrastructure	1,481.17	1,538.34	(57.17)	-4%
Total Capital Assets, Net	$ 7,343.73	$ 7,055.22	$ 288.51	4%

Overall, capital assets increased by $288.51 thousand. The 4% increase in capital assets resulted from annual depreciation expense of $358.79 thousand, offset by machinery and equipment capital additions of $651.90 thousand, and disposals of $55.78 thousand.

Economic Forecast

Martin Community College's mission is to provide quality, affordable, and accessible learner-centered educational programs and services to citizens in the communities it serves. Inherent in its mission is the commitment to: (a) providing quality educational and training programs that lead to a marketable credential and/or provide a pathway to a university program of study, (b) actively participating as a partner in economic development, and (c) providing education and training for existing and new businesses and industries. The College is confident that it will continue to provide the services and programs that will ensure that it remains true to its mission in spite of societal and economic issues that impact critical resources.

The College's service area includes Martin County, specific geographic areas of Bertie County and specific programs and services in Washington County. Going forward the College will no longer provide services in Washington County. The State legislature has given that service area to Beaufort County Community College.

Martin Community College provides educational opportunities, including Career and College Promise, for high school students in Martin and Bertie County and collaborates in an Early College program at Bertie High School. The College also provides educational opportunities for private and charter schools in its service area. The College also provides educational programs at the Bertie Correctional Institute (BCI).

Beginning in the 2015-16 fiscal year the College anticipates beginning Bertie County welding classes at night in the building previously occupied by Bertie High School before the new high school was constructed. The plan is to also look at offering HVAC and auto repair at that facility in the future.

A great deal of effort has been made this year to revitalize the automotive technology program on the College's campus. The Basic Law Enforcement Training program (BLET) has been restarted with state-of-the-art equipment and upgraded facilities as well. Fire and EMS programs are a main focus of the school and are being equipped to offer the best and most up to date instruction in the area.

The College continues to benefit from funding from the Bill and Melinda Gates Foundation for its Completion by Design initiative (CBD).

Political rhetoric, economic reports, and economic forecast suggest that the country may have experienced the "worst of the recession." However, the unemployment rate for the College's service area continues to be higher than the unemployment rate for the state. The College, like many, if not most, community colleges in the state and/or the nation, recognizes that resources are diminishing because of the economic situation. It also recognizes that the national trend shows a decline in community college enrollment. As discussed above, the College anticipates some growth in enrollment with a corresponding increase in budgeted FTE. In spite of its optimism, the College understands that it must continue to be prudent with scarce resources and must remain true to its mission even if fewer funds are available. The rescission of the state salary freeze will have a positive effect on the College's ability to attract and retain good employees. The College recognizes and appreciates its outstanding faculty and staff. Several key open positions were filled during this academic year and more are being targeted to be filled in the upcoming year.

FINANCIAL STATEMENTS

Martin Community College
Statement of Net Position
June 30, 2015

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	1,894,207.77
Restricted Cash and Cash Equivalents		823,931.44
Receivables, Net (Note 4)		119,336.32
Inventories		160,806.50
Total Current Assets		2,998,282.03
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		486,668.98
Restricted Due from Primary Government		284,062.00
Capital Assets - Nondepreciable (Note 5)		261,280.00
Capital Assets - Depreciable, Net (Note 5)		7,082,447.24
Total Noncurrent Assets		8,114,458.22
Total Assets		11,112,740.25
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		280,024.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		673,613.25
Unearned Revenue		10,800.85
Long-Term Liabilities - Current Portion (Note 7)		38,461.31
Total Current Liabilities		722,875.41
Noncurrent Liabilities:		
Funds Held for Others		12,421.38
Long-Term Liabilities (Note 7)		498,150.35
Total Noncurrent Liabilities		510,571.73
Total Liabilities		1,233,447.14
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		883,868.00

NET POSITION

Investment in Capital Assets	7,343,727.24
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	61,248.76
Expendable:	
Scholarships and Fellowships	75,683.99
Loans	74,003.67
Restricted for Specific Programs	265,000.00
Other	72,488.93
Unrestricted	1,383,296.52
Total Net Position	$ 9,275,449.11

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

Martin 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)	$ 476,612.78
Sales and Services, Net (Note 9)	246,572.95
Other Operating Revenues	24,750.28
Total Operating Revenues	747,936.01
EXPENSES	
Operating Expenses:	
Salaries and Benefits	5,179,369.80
Supplies and Materials	1,981,477.34
Services	1,164,823.37
Scholarships and Fellowships	627,075.11
Utilities	280,834.63
Depreciation	358,791.68
Total Operating Expenses	9,592,371.93
Operating Loss	(8,844,435.92)
NONOPERATING REVENUES (EXPENSES)	
State Aid	5,800,225.18
County Appropriations	978,066.00
Noncapital Grants - Student Financial Aid	1,248,202.43
Noncapital Grants	567,152.52
Noncapital Gifts	2,575.00
Investment Income	24,324.07
Other Nonoperating Expenses	(4,092.41)
Net Nonoperating Revenues	8,616,452.79
Loss Before Other Revenues	(227,983.13)
State Capital Aid	222,305.46
County Capital Aid	187,200.00
Capital Grants	50,438.42
Increase in Net Position	231,960.75
NET POSITION	
Net Position, July 1, 2014 as Restated (Note 15)	9,043,488.36
Net Position, June 30, 2015	$ 9,275,449.11

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

Martin Community College
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 749,995.76
Payments to Employees and Fringe Benefits	(5,284,968.49)
Payments to Vendors and Suppliers	(2,932,577.88)
Payments for Scholarships and Fellowships	(627,075.11)
Other Payments	(3,980.72)
Net Cash Used by Operating Activities	(8,098,606.44)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	5,800,225.18
County Appropriations	978,066.00
Noncapital Grants - Student Financial Aid	1,248,202.43
Noncapital Grants	567,152.52
Noncapital Gifts	2,575.00
Cash Provided by Noncapital Financing Activities	8,596,221.13
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	238,985.46
County Capital Aid	187,200.00
Capital Grants	50,438.42
Acquisition of Capital Assets	(651,898.25)
Net Cash Used by Capital and Related Financing Activities	(175,274.37)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	24,324.07
Cash Provided by Investing Activities	24,324.07
Net Increase in Cash and Cash Equivalents	346,664.39
Cash and Cash Equivalents, July 1, 2014	2,858,143.80
Cash and Cash Equivalents, June 30, 2015	$ 3,204,808.19

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(8,844,435.92)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		358,791.68
Pension Expense		95,149.00
Nonoperating Other Income		502.28
Changes in Assets, Liabilities, and Deferred Outflows of Resources:		
Receivables, Net		969.52
Inventories		28,954.43
Accounts Payable and Accrued Liabilities		498,493.16
Unearned Revenue		1,090.23
Funds Held for Others		(4,483.00)
Deferred Outflows - Contributions After the Measurement Date		(280,024.00)
Compensated Absences		46,386.18
Net Cash Used by Operating Activities	$	(8,098,606.44)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	1,894,207.77
Restricted Cash and Cash Equivalents		823,931.44
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		486,668.98
Total Cash and Cash Equivalents - June 30, 2015	$	3,204,808.19

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Loss on Disposal of Capital Assets	$	(4,594.69)

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

Martin Community College Foundation, Inc.
Statement of Financial Position
June 30, 2015 — *Exhibit B-1*

ASSETS		
Cash and Cash Equivalents	$	232,805.96
Prepaid Expenses		915.00
Property and Equipment, Net		189,656.57
Total Assets		423,377.53
LIABILITIES		
Accounts Payable and Accrued Expenses		4,466.19
Total Liabilities		4,466.19
NET ASSETS		
Unrestricted		418,911.34
Total Net Assets	$	418,911.34

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

Martin Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2015 ***Exhibit B-2***

		Unrestricted
PUBLIC SUPPORT REVENUES		
Support		
Cash Contributions	$	400.00
In Kind Contributions - Horses		4,999.00
Revenue		0.00
Investment Income		754.52
Fundraising Income		54,060.00
Total Unrestricted Revenues and Gains		60,213.52
EXPENSES		
Contributions to Martin Community College for Scholarships		1,169.00
Administration		71,848.81
Fundraising Expenses		42,376.10
Total Expenses		115,393.91
Loss on Disposal of Assets		20,759.71
Total Expenses and Losses		136,153.62
Decrease in Unrestricted Net Assets		(75,940.10)
Decrease in Net Assets		(75,940.10)
Net Assets at Beginning of Year		494,851.44
Net Assets at End of Year	$	418,911.34

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. Martin 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 discretely presented in the College's financial statements. See below for further discussion of the College's component unit.

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

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of eleven 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 $1,169.00 to the College for restricted purposes. Complete financial statements for the Foundation can be obtained from Martin Community College Foundation, Inc., 1161 Kehukee Park Road, Williamston, NC 27892.

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

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

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

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

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

E. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, 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 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.

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	50-100 years
Machinery & Equipment	5-30 years
General Infrastructure	10-75 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 payable 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 and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

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

O. County Appropriations - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current 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 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 $903.00, and deposits in private financial institutions with a carrying value of $60,540.85 and a bank balance of $100,064.02.

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 $3,143,364.34 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.

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 $12,028.58 was available to be spent, all of which was restricted for specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 108,446.37	$ 64,833.49	$ 43,612.88
Student Sponsors	4,485.03		4,485.03
Accounts	71,238.41		71,238.41
Total Current Receivables	$ 184,169.81	$ 64,833.49	$ 119,336.32

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	$ 166,280.00	$ 0.00	$ 0.00	$ 166,280.00
Construction in Progress	95,000.00			95,000.00
Total Capital Assets, Nondepreciable	261,280.00			261,280.00
Capital Assets, Depreciable:				
Buildings	8,795,318.05			8,795,318.05
Machinery and Equipment	1,883,644.27	651,898.25	55,776.36	2,479,766.16
General Infrastructure	2,054,793.03			2,054,793.03
Total Capital Assets, Depreciable	12,733,755.35	651,898.25	55,776.36	13,329,877.24
Less Accumulated Depreciation for:				
Buildings	4,350,329.72	189,375.12		4,539,704.84
Machinery and Equipment	1,073,034.37	112,245.92	51,181.67	1,134,098.62
General Infrastructure	516,455.90	57,170.64		573,626.54
Total Accumulated Depreciation	5,939,819.99	358,791.68	51,181.67	6,247,430.00
Total Capital Assets, Depreciable, Net	6,793,935.36	293,106.57	4,594.69	7,082,447.24
Capital Assets, Net	$ 7,055,215.36	$ 293,106.57	$ 4,594.69	$ 7,343,727.24

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 517,271.21
Accrued Payroll	152,635.23
Other	3,706.81
Total Current Accounts Payable and Accrued Liabilities	$ 673,613.25

NOTE 7 - LONG-TERM LIABILITIES

Changes in 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	$ 1,299,198.00	$ 0.00	$ 1,061,431.00	$ 237,767.00	$ 0.00
Compensated Absences	252,458.48	240,572.41	194,186.23	298,844.66	38,461.31
Total Long-Term Liabilities	$ 1,551,656.48	$ 240,572.41	$ 1,255,617.23	$ 536,611.66	$ 38,461.31

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

NOTE 8 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for office equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2015:

Fiscal Year	Amount
2016	$ 14,614.56
2017	14,614.56
2018	14,614.56
2019	14,614.56
2020	14,614.56
Total Minimum Lease Payments	$ 73,072.80

Rental expense for all operating leases during the year was $8,221.44.

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	$ 925,775.39	$ 0.00	$ 434,540.55	$ 14,622.06	$ 476,612.78
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	$ 424,355.10	$ 2,682.97	$ 253,825.70	$ 0.00	167,846.43
Café	55,375.37				55,375.37
Independent Operations	23,351.15				23,351.15
Total Sales and Services	$ 503,081.62	$ 2,682.97	$ 253,825.70	$ 0.00	$ 246,572.95

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	$ 2,694,179.99	$ 1,299,365.49	$ 335,559.88	$ 4,780.00	$ 21,414.44	$ 0.00	$ 4,355,299.80
Academic Support	488,896.72	43,848.67	13,848.55				546,593.94
Student Services	292,083.96	21,041.48	77,140.90	16,190.00			406,456.34
Institutional Support	1,143,534.44	168,725.54	448,794.90				1,761,054.88
Operations and Maintenance of Plant	268,925.55	75,516.41	233,488.97		259,248.19		837,179.12
Student Financial Aid	68,933.87	466.44	43,532.20	606,105.11			719,037.62
Auxiliary Enterprises	127,666.27	372,513.31	12,457.97		172.00		512,809.55
Depreciation						358,791.68	358,791.68
Pension Expense	95,149.00						95,149.00
Total Operating Expenses	$ 5,179,369.80	$ 1,981,477.34	$ 1,164,823.37	$ 627,075.11	$ 280,834.63	$ 358,791.68	$ 9,592,371.93

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 $280,024.27, and employee contributions were $183,622.47 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 $237,767.00 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 0.02028%, which was a decrease of 5.23% 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:

Asset Class	Long-Term Expected Real Rate of Return
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%)
$ 1,706,856.00	$ $237,767.00	$ ($1,002,665.00)

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 $95,149.00. 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	$ 0.00	$ 55,422.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		803,328.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions		25,118.00
Contributions Subsequent to the Measurement Date	280,024.00	
Total	$ 280,024.00	$ 883,868.00

The amount of $280,024.00 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 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:		Amount
2016	$	(222,082.00)
2017		(222,082.00)
2018		(222,082.00)
2019		(217,622.00)
Total	$	(883,868.00)

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

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

The Plan's benefit and contribution provisions are established by 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 $168,014.56, $169,527.01, and $169,160.17, 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 $12,547.54, $13,813.31, and $14,043.49, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 13 - RISK MANAGEMENT

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

A. Public Entity Risk Pool

Public School Insurance Fund

Fire and other property losses are covered by the Public School Insurance Fund (Fund), a state-administered public entity risk pool. The

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

B. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

C. Other Risk Management and Insurance Activities

1. Automobile Insurance

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. Losses from county and institutional funds paid employees are covered by a separate policy with a private insurance company.

4. Statewide Workers' Compensation Program

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

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

NOTE 14 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. There were no outstanding commitments on construction contracts and outstanding commitments on other purchases were $876,519.88 at June 30, 2015.

NOTE 15 - NET POSITION RESTATEMENT

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

	Amount
July 1, 2014 Net Position as Previously Reported	$ 10,069,974.36
Restatements:	
Record the College's Net Pension Liability and Pension Related Deferred Outflows of Resources Per GASB 68 Requirements	(1,026,486.00)
July 1, 2014 Net Position as Restated	$ 9,043,488.36

REQUIRED SUPPLEMENTARY INFORMATION

Martin 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*

	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	0.02028%	0.02140%
Proportionate Share of TSERS Collective Net Pension Liability	$ 237,767.00	$ 1,299,198.07
Covered-Employee Payroll	$ 3,139,389.03	$ 3,191,701.31
Net Pension Liability as a Percentage of Covered-Employee Payroll	7.57%	40.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

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

	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 280,024.27	$ 272,812.91	$ 265,868.72	$ 236,058.87	$ 153,375.28
Contributions in Relation to the Contractually Determined Contribution	280,024.27	272,812.91	265,868.72	236,058.87	153,375.28
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 3,060,374.54	$ 3,139,389.03	$ 3,191,701.31	$ 3,172,834.22	$ 3,111,060.46
Contributions as a Percentage of Covered-Employee Payroll	9.15%	8.69%	8.33%	7.44%	4.93%

	2010	2009	2008	2007	2006
Contractually Required Contribution	$ 117,873.72	$ 124,380.54	$ 105,579.34	$ 80,400.10	$ 65,270.47
Contributions in Relation to the Contractually Determined Contribution	117,873.72	124,380.54	105,579.34	80,400.10	65,270.47
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 3,301,784.81	$ 3,701,801.71	$ 3,461,617.75	$ 3,022,560.15	$ 2,789,336.26
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

Martin 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:

Cost of Living Increase

2014	2013	2012	2011	2010	2009	2008	2007	2006
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

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
http://www.ncauditor.net

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
Martin Community College
Williamston, 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 Martin 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 May 20, 2016. Our report includes a reference to other auditors who audited the financial statements of Martin Community College Foundation, Inc., as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Martin Community College 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 Martin Community College Foundation, Inc.

Internal Control Over Financial Reporting

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

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

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. We consider the deficiencies described in the accompanying Audit Findings and Responses section to be material weaknesses.

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*.

College's Response to Findings

The College's responses to the findings identified in our audit are described in the accompanying Audit Findings and Responses section. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

May 20, 2016

FINDINGS, RECOMMENDATIONS, AND RESPONSES

Matters Related to Financial Reporting

The following audit findings were identified during the current audit and describe conditions that represent deficiencies in internal control.

1. FINANCIAL STATEMENTS CONTAINED SIGNIFICANT MISSTATEMENTS

The financial statements and related notes prepared by the College and submitted for audit contained significant misstatements that were identified and corrected as a result of our audit as follows:

- Numerous year end entries necessary for proper classification of cash and net position were either not prepared or prepared incorrectly.
- Entry to record decreases in accumulated depreciation for machinery and equipment disposals was prepared incorrectly.
- Operating revenue was overstated due to improperly reporting noncapital grants.

The College did not ensure that controls over financial reporting were designed and implemented to prevent significant misstatements from occurring. The following misstatements resulted from the College's ineffective controls over financial reporting:

Account	Overstated / (Understated)	Percentage *
Current Restricted Cash	$ (103,562.50)	12.57%
Noncurrent Restricted Cash	103,562.50	21.28%
Restricted Nonexpendable - Other	61,248.76	100%
Restricted Nonexpendable - Scholarships and Fellowships	(61,248.76)	100%
Restricted Expendable - Other	301,713.86	416.22%
Unrestricted	31,603.19	2.28%
Restricted Expendable - Scholarships and Fellowships	(68,317.05)	90.27%
Restricted Expendable - Specific Programs	(265,000.00)	100%
Accumulated Depreciation for Machinery and Equipment	51,181.67	4.51%
Supplies and Materials	55,776.36	2.81%
Other Nonoperating Expenses	(4,594.69)	100%
Federal Grants and Contracts Revenue - Operating	29,292.82	100%
State and Local Grants and Contracts Revenue - Operating	92,587.00	100%
Noncapital Grants - Federal Student Financial Aid Revenue	(29,292.82)	2.35%
Noncapital Grants Revenue	(92,587.00)	16.32%

* Percentage of the overstatement or understatement to the final audited account balance.

Without these error corrections, users of the financial statements could be misinformed about the College's financial condition, including sufficiency and flexibility of resources, asset performance and operating results.

According to the College, the misstatements and errors in financial reporting occurred and were not detected and corrected, in part because:

- The College had significant turnover of employees involved with the financial reporting process during the year.
- The College did not have adequate staffing levels to perform the year-end financial reporting, as well as, the day-to-day accounting operations.
- The College did not have an adequate year-end plan designed that would result in a complete and thorough review of the financial statements prior to submission for audit.

The College's management is responsible for the fair presentation of the financial statements and related notes to the financial statements in conformity with accounting principles generally accepted in the United States.

Further, best practices require management to periodically review and analyze financial information. The Government Accountability Office (GAO) recommends that senior management should regularly review actual performance against prior period results. The GAO also recommends that "financial and program managers review and compare financial, budgetary, and operational performance to planned or expected results."[1]

Recommendation:

The College should ensure that appropriate and adequate resources are provided to ensure:

- Staffing levels are adequate to perform year-end financial reporting, and
- A year-end plan is designed and implemented that would allow for a knowledgeable individual, or group of individuals, to perform a complete and thorough review of the financial statements and related information to ensure accurate and complete year-end reporting.

College Response:

During the 2014-15 Academic Year, the Finance area experienced unprecedented turnover. Two (2) staff members left during the last quarter of 2014, one at the end of October and one at the end of December. The College hired three (3) new staff members to replace those two, one in November 2014, one in January 2015, and one in March 2015. In a small rural college, recruiting and hiring experienced staff members in a short period is a challenge.

In addition to the turnover, a couple of the staff members had serious medical issues that needed attention. Absenteeism and related factors affected the workflow, impeded training of new staff, and increased frustrations. One of the former employees did work part-time for a couple of months to assist with financials during this time. We believe turnover and absenteeism will not be a factor in the coming year.

[1] Government Accountability Office, Internal Control Management and Evaluation Tool, 2001

The College recognizes that current staff need more training and is in the process of identifying an individual or individuals with experience in the NCCCS financial database and the necessary accounting expertise to assist staff with reconciling bank statements, reviewing financial statements and records, assessing training needs, and training staff members as needed.

The Dean of Administrative Services/CFO and the Business Services Director will develop and implement a year-end plan. If needed, a consultant may assist in developing the plan and providing guidance and direction. The Dean/CFO will submit the plan to the President for approval.

2. DEFICIENT CASH MANAGEMENT PRACTICES RESULTED IN INACCURATE REPORTING OF CASH

The College did not ensure that controls over cash management were being implemented as designed, during significant staff turnover in the business office, to prevent the inaccurate reporting of cash. As a result, the College's cash balance was overstated.

The following misstatements resulted from the College's ineffective controls over cash management:

Account	Overstated / (Understated)	Percentage *
Current Unrestricted Cash	$ 97,775.00	5.16%
Services	(97,775.00)	8.39%
Unrestricted Net Position	97,775.00	7.07%

* Percentage of the overstatement or understatement to the final audited account balance.

Failure to implement effective processes and procedures over cash management could increase the risks of fraud, mismanagement of funds, and misstatements in the financial statements.

The error in cash management occurred and was not detected and corrected by the College, in part because:

- The College did not review the daily bank deposits from December 2015 through the end of the fiscal year, June 2015.
- The College did not review monthly bank reconciliations from November 2014 through March 2015.
- The College did not prepare monthly bank reconciliations for the months of April, May, and June 2015.
- The College did not have adequate staffing levels to perform day-to-day cash management operations during times of employee turnover, which was significant during the year.

The College's management is responsible for the design, implementation, and maintenance of internal control. Additionally, the Committee of Sponsoring Organizations (COSO) *Internal Control – Integrated Framework*[2] states that when selecting and developing control activities it is important to understand what a particular control is designed to accomplish (i.e., the specific risk response the control addresses) and whether it has been developed and implemented as designed to mitigate the risk.

Further, the Government Accountability Office (GAO)[3] recommends that management identify the actions and control activities needed to address the risks and directed their implementation.

Recommendation:

The College should ensure that appropriate and adequate controls over cash management are in place to decrease the risks of fraud, mismanagement of funds and misstatements in the financial statements. The College's controls should include:

- A review of daily bank deposits.
- A prepared monthly bank reconciliation that is reviewed and approved by management.
- Adequate staffing levels to perform day-to-day cash management operations.

College Response:

The Dean/CFO, will address the factors cited in the audit and will develop a plan or strategy to ensure that the College has adequate and appropriate controls over cash management and to ensure that bank deposits are reviewed daily and bank statements are reconciled monthly. The Dean/CFO will review the daily bank deposits and the monthly bank reconciliations and forward them to the President by the 20th of the month.

The College is in the process of hiring a consultant to assist in reconciling bank statements and training the Business Services staff and/or other appropriate staff members. We anticipate having all bank statements reconciled by July 31, 2016.

[2] Committee of Sponsoring Organizations, Internal Control – Integrated Framework, May 2013
[3] Government Accountability Office, Internal Control Management and Evaluation Tool, 2001

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State of North Carolina
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For additional information contact:
Bill Holmes
Director of External Affairs
919-807-7513

NC OSA
The Taxpayers' Watchdog

This audit required 345 audit hours at an approximate cost of $34,155.