STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA

VANCE-GRANVILLE COMMUNITY COLLEGE

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

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Vance-Granville 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.

Beth A. Wood

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Vance-Granville Community College
Henderson, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Vance-Granville 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 the Vance-Granville Community College Endowment Fund Corporation, 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 Vance-Granville Community College Endowment Fund Corporation, 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 the Vance-Granville Community College Endowment Fund Corporation 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 Vance-Granville 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 13 to the financial statements, during the year ended June 30, 2015, Vance-Granville 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 16, 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

February 16, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Financial Statements

In accordance with GASB Statements No. 34 and No. 35, the enclosed report focuses on the financial condition of the College, the results of operations, and cash flows of the College as a whole. As required, this report contains three basic financial statements and the Notes to the Financial Statements:

> Statement of Net Position: This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The College's net position, (the difference between assets plus deferred outflows and liabilities plus deferred inflows) is an indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels. (Exhibit A-1)
>
> Statement of Revenues, Expenses, and Changes in Net Position: This statement presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. This approach is intended to summarize and simplify the presentation of the College's services to the students and public. (Exhibit A-2)
>
> Statement of Cash Flows: This statement presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities, and helps measure the ability of the College to meet financial obligations as they mature. (Exhibit A-3)
>
> Notes to the Financial Statements: The notes provide additional information that is essential for a complete understanding of the data provided in the statements.

In accordance with GASB Statement No. 39 and No. 61, the enclosed report also contains the Vance-Granville Community College Endowment Fund Corporation's (Corporation) "Statement of Financial Position" (Exhibit B-1) and "Statement of Activities" (Exhibit B-2). GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units No. 61, The Financial Reporting Entity Omnibus,* clarify GASB Statement No. 14, *The Financial Reporting Entity*, as to which organizations affiliated with the College, but separately accountable, should be reported as a component unit based on the organization's nature and significance to the College. The Notes to the Financial Statements do not address the Corporation unless specified.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). This statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.

GASB 68 is effective for the fiscal year ending June 30, 2015. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. A major change is the reporting of the net pension liability on the Statement of Net Position. Under previous pension standards, this liability was reflected only in the note disclosures. Employers that participate in a cost-sharing multiple-employer defined benefit pension plan, such as the Teachers' and State Employees' Retirement System (TSERS), are required to recognize liabilities for their proportionate share of the collective net pension liability.

As part of the GASB 68 implementation, Vance-Granville Community College, being a component unit of the State of North Carolina, was required to make year-end entries to record the proportionate share of the TSERS net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources. The net pension liability for TSERS was measured as of June 30, 2014. Additionally, net position was restated to record 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 pension liability but before the start of the fiscal year.

Financial Highlights

The assets of the College are divided between current and noncurrent assets. Current assets include cash, short-term investments, receivables, funds due from the State of North Carolina, and inventories. Noncurrent assets include cash, long-term investments, bond funds for construction due from the State, and capital assets. Below is a condensed comparative analysis of the Statement of Net Position for the years ended June 30, 2015 and June 30, 2014.

Condensed Statement of Net Position
For the Year Ended June 30, 2015 with Comparative Data for the Year Ended June 30, 2014

	2015	2014 (as restated)	Change Amount	Change Percentage
Assets				
Current	$ 9,943,983.63	$ 8,137,462.41	$ 1,806,521.22	22.20%
Capital Assets, Net	28,252,412.62	28,198,307.41	54,105.21	0.19%
Other Noncurrent	3,078,161.73	2,881,248.81	196,912.92	6.83%
Total Assets	41,274,557.98	39,217,018.63		
Deferred Outflows of Resources	1,414,579.00	1,237,757.00	176,822.00	14.29%
Liabilities				
Current	759,205.83	605,574.41	153,631.42	25.37%
Noncurrent	3,154,354.41	7,703,893.80	(4,549,539.39)	(59.06%)
Total Liabilities	3,913,560.24	8,309,468.21		
Deferred Inflows of Resources	4,336,094.00		4,336,094.00	100.00%
Net Position				
Investment in Capital Assets	28,252,412.62	28,198,307.41	54,105.21	0.19%
Restricted	1,540,921.99	1,738,923.87	(198,001.88)	(11.39%)
Unrestricted	4,646,148.13	2,208,076.14	2,438,071.99	110.42%
TOTAL NET POSITION	$ 34,439,482.74	$ 32,145,307.42		

The 22.2% increase in current assets and the 110.42% increase in unrestricted net position can be attributed to a $1,569,124.35 unrestricted noncapital gift received from the W.A. Edwards Estate that is currently still on deposit in the State Treasurer's Short-Term Investment Fund (STIF).

The deferred outflows of resources, which is related to pensions, is comprised of employer contributions to TSERS made during the current fiscal year and also any change in proportion and differences between employer's contribution and proportionate share of contributions. The 14.29% increase is due to an increase in wages subject to retirement as well as an increase in the TSERS retirement pension rate as compared to the prior year. Additional details for the deferred outflows of resources are available in Note 9.

Current liabilities increased 25.37% or $153,631.42. The College saw an increase of $239,988.00 in accounts payable related to amounts due to vendors at year-end for three plant invoices related to the roofing project for Buildings 2, 3, and 4. Additionally, the College's liability for current portion of compensated absences decreased by $104,517.17. The current portion of compensated absences is the portion of accrued vacation and bonus leave that the College expects the employee to use within the next fiscal year.

Noncurrent liabilities decreased substantially from the prior year due to a $4,931,170 GASB 68 net pension liability adjustment. The restated beginning net pension liability was $6,131,729 and the ending net pension liability was $1,200,559.00. Additional details for the net pension liability are available in the Notes to the Financial Statements 6 and 9.

The deferred inflows of resources, which is related to pensions, is comprised of the difference between actual and expected experience as well as the net difference between projected and actual earnings on pension plan investments. At June 30, 2015, the College reported deferred inflows of resources related to pension of $4,336,094.00. Additional details for the deferred inflows of resources are available in Note 9.

Current Assets		
Cash and Cash Equivalents	$ 8,517,874.57	20.64%
Short-Term Investments	87,735.16	0.21%
Receivables	565,814.92	1.37%
Due from State of NC Component Units	184,000.00	0.45%
Inventories	588,558.98	1.43%
Sub-Total Current	9,943,983.63	
Noncurrent Assets		
Cash and Cash Equivalents	323,876.37	0.78%
Restricted Due from Prim. Gov't	835,445.80	2.02%
Investments	1,918,839.56	4.65%
Capital Assets, Net	28,252,412.62	68.45%
Sub-Total Noncurrent	31,330,574.35	
TOTAL ASSETS	**$ 41,274,557.98**	**100.00%**

The composition of assets at June 30, 2015 is presented in the table to the left.

Total assets increased over two million over the prior year. This is primarily due to an increase in cash and cash equivalents. 76% of the increase in cash and cash equivalents can be attributed to the $1,569,124.35 noncapital gift, as discussed earlier.

Additional details for the composition of assets are available in Exhibit A-1 and Notes to the Financial Statements 1-D, 1-E, 1-F, 1-G, 1-H, 1-I, 2, 3, and 4.

Liabilities are classified as either current or noncurrent. Current liabilities are those due and payable within one year of the date of the financial statements, while noncurrent liabilities are due and payable one year or more after the date of the financial statements.

Total liabilities decreased from the prior year by $4,395,907.97, a decrease of 52.90%. The College's overall liability for compensated absences increased by $277,089.44 due to fewer payments made to employees retiring or leaving the College. The College's net pension liability, which is a part of the GASB 68 implementation, for the year ended June 30, 2015, was $1,200,559.00, which is a decrease of $4,931,170.00 from the restated beginning net pension liability of $6,131,729.00. Additional details for the net pension liability are available in the Notes to the Financial Statements 6 and 9.

The composition of liabilities on June 30, 2015 is presented in the table to the right.

Additional details for the composition of liabilities are available in Exhibit A-1 and Notes to the Financial Statements 1-J, 1-K, 5, and 6.

Current Liabilities			
Accounts Payable and Accrued Liabilities	$	521,995.03	13.34%
Unearned Revenue		124,176.59	3.17%
Funds Held for Others		54,267.39	1.39%
Compensated Absences		58,766.82	1.50%
Sub-Total Current		759,205.83	
Noncurrent Liabilities			
Net Pension Liability		1,200,559.00	30.68%
Compensated Absences		1,953,795.41	49.92%
Sub-Total Noncurrent		3,154,354.41	
TOTAL LIABILITIES	$	3,913,560.24	100.00%

Total net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The composition of the College's net position at June 30, 2015 is shown in the table below:

Net Position			
Investment in Capital Assets	$	28,252,412.62	82.03%
Restricted Expendable		1,540,921.99	4.47%
Unrestricted		4,646,148.13	13.49%
TOTAL NET POSITION	$	34,439,482.74	100.00%

Total net position increased $2,294,175.32 from the previous fiscal year. Additional information on net position is available in Exhibit A-1 and Notes to the Financial Statements 1-L, 4, and 13.

The table below is a condensed comparative analysis between the June 30, 2015 Statement of Revenues, Expenses, and Changes in Net Position (Exhibit A-2) contained herein and the year ended June 30, 2014. Note that the year ended 2014 Exhibit A-2 is not presented "as restated" below because the actuarial calculations performed related to the implementation of GASB 68 do not provide sufficient information to restate these amounts.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015 with Comparative Data for the Year Ended June 30, 2014

			Change	
	2015	2014	Amount	Percent
Operating Revenues	$ 3,936,952.61	$ 4,331,490.93	$ (394,538.32)	(9.11%)
Nonoperating Revenues	28,977,606.83	27,641,294.33	1,336,312.50	4.83%
Other Revenues	1,207,072.95	959,521.27	247,551.68	25.80%
Total Revenues	34,121,632.39	32,932,306.53		
Operating Expenses	31,805,418.36	32,250,200.74	(444,782.38)	(1.38%)
Nonoperating Expenses	22,038.71	41,506.51	(19,467.80)	(46.90%)
Total Expenses	31,827,457.07	32,291,707.25		
INCREASE IN NET POSITION	$ 2,294,175.32	$ 640,599.28		

Revenues are presented as operating and nonoperating. Operating revenues are derived from activities that are necessary and essential to the mission of the College. As the table above illustrates, operating revenues decreased by $394,538.32 due to a decrease of $294,121.33 in student tuition and fees related to decreased student enrollment and a decrease of $90,709.71 in sales and services related to decreased sales from the bookstore and vending as compared to the previous year.

Operating expenses are all expenses except for those related to investing, capital and related financing and noncapital financing activities. As the table above illustrates, operating expenses decreased by $444,782.38. This decrease was due primarily to a $283,102.70 decrease in scholarship expense, $103,597.73 decrease in supplies and materials, $555,309.53 decrease in salaries and benefits, and $407,507.32 increase in services. Operating expenses are presented in Exhibit A-2 by classification – salaries and benefits, supplies and materials, etc. An analysis of expenses by functional classification (i.e. instruction, financial aid, etc.) is shown in Note 8.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. For instance, a gift to the College is a nonexchange transaction because the College did not exchange a good or service to receive the gift. Nonoperating revenues net of nonoperating expenses increased $1,355,780.30 over the previous year. This increase is due to a $1,567,636.93 increase in noncapital gifts discussed earlier, a $689,811.87 increase in state aid, and a $170,195.80 increase in county appropriations. There were also decreases of $194,371.61 for investment income due to market value decline and a decrease of $904,104.62 in Pell grants awards caused by a decline in enrollment.

Other revenues include state and county appropriations for the acquisition, renovation or construction of capital assets owned by the College. The 25.80% increase is due to a $280,120.68 increase in state capital aid and $32,569.00 decrease in county capital aid.

The table below presents the College's revenues for the fiscal year ended June 30, 2015 with comparative data for the fiscal year ended June 30, 2014.

	2015	2014	Change Amount	Change Percent
Operating Revenues				
Student Tuition and Fees, Net	$ 2,304,239.78	$ 2,598,361.11	$ (294,121.33)	(11.32)%
State and Local Grants and Contracts	251,992.27	262,736.97	(10,744.70)	(4.09)%
Sales and Services, Net	1,338,003.15	1,428,712.86	(90,709.71)	(6.35)%
Other Operating Revenues	42,717.41	41,679.99	1,037.42	2.49%
Sub-Total Operating	3,936,952.61	4,331,490.93		
Nonoperating Revenues				
State Aid	17,284,671.86	16,594,859.99	689,811.87	4.16%
County Appropriations	2,197,044.80	2,026,849.00	170,195.80	8.40%
Noncapital Grants and Gifts	9,495,890.17	8,830,032.66	665,857.51	7.54%
Investment Income (Loss), Net	(4,818.93)	189,552.68	(194,371.61)	(102.54)%
Other Nonoperating Expenses	(17,219.78)	(41,506.51)	24,286.73	(58.51)%
Sub-Total Nonoperating	28,955,568.12	27,599,787.82		
Other Revenues				
State Capital Aid	776,298.03	496,177.35	280,120.68	56.46%
County Capital Aid	430,774.92	463,343.92	(32,569.00)	(7.03)%
Sub-Total Other Revenues	1,207,072.95	959,521.27		
TOTAL REVENUES	$ 34,099,593.68	$ 32,890,800.02		

The sales and services decrease is primarily due to a decrease of $113,945.04 in bookstore sales, decrease of $1,971.00 in vending commissions, increase of $17,052.24 in daycare fees and increase of $4,542.93 in cosmetology services as compared to the previous year.

State capital aid increased 56.46% from the prior year due primarily to the fact that the College expended more in state equipment funds to meet the capitalized and noncapitalized equipment needs of the College.

The decrease in county capital aid reflects the prior year one-time allocation of $150,000 from Granville County for a roof replacement and one-time allocation of $231,000 from Warren County for roof replacements for various buildings. There was also a one-time allocation received in the current year of $311,337.00 from Granville County for a roof project allocation for Main Campus.

More information on the composition of revenues can be found in Exhibit A-2 and Notes 1-N and 7.

The table below presents the College's operating expenses for the fiscal year ended June 30, 2015, with comparative data for the fiscal year ended June 30, 2014.

Operating Expenses	2015	2014	Change Amount	Change Percent
Salaries and Benefits	$ 21,457,405.87	$ 22,012,715.40	$ (555,309.53)	(2.52)%
Supplies and Materials	3,193,828.92	3,297,426.65	(103,597.73)	(3.14)%
Services	2,685,642.95	2,278,135.63	407,507.32	17.89%
Scholarships and Fellowships	2,921,895.24	3,204,997.94	(283,102.70)	(8.83)%
Utilities	529,263.68	520,275.08	8,988.60	1.73%
Depreciation	1,017,381.70	936,650.04	80,731.66	8.62%
Total Operating Expenses	$ 31,805,418.36	$ 32,250,200.74		

Salaries and benefits decreased 2.52% due to a GASB 68 adjustment, which reclassified $1,312,684.00 of employer TSERS retirement contributions to deferred outflows of resources, and increased pension expense by $540,786.00. The pension expense is the change of net pension liability that is required to be recognized in the current fiscal year. Both the reclassified amount and the pension expense were only recognized during the current fiscal year (2015). The reclassification and pension expense were not recorded in 2014 because information to determine correct amounts for the prior year was not available. Additional details for pension plan are available in Note 9.

Services increase related to the instruction function can be attributed to 2015 being a full year for the Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant program. Services increase related to the operation/maintenance of plant function can be attributed to the 2013-2015 rent for the Maria Parham SIM Lab being paid in 2015. An analysis of expenses by functional classification (i.e. instruction, financial aid, etc.) is shown in Note 8.

Scholarships expense decreased due to reductions in financial aid awarded to fewer students due to decreased enrollment.

The change in net position is the difference between total revenues and total expenses. The change in net position, as presented in Exhibit A-2, is an increase of $2,294,175.32, bringing the College's total net position to $34,439,482.74 as follows:

Beginning Net Position as Restated (Note 13)	$ 32,145,307.42
Revenues	
Operating	3,936,952.61
Nonoperating	28,977,606.83
Other	1,207,072.95
Sub-Total Revenues	34,121,632.39
Expenses	
Operating	31,805,418.36
Nonoperating	22,038.71
Sub-Total Expenses	31,827,457.07
Change in Net Position	2,294,175.32
ENDING NET POSITION	$ 34,439,482.74

Capital Assets

As of June 30, 2015, the College recorded $43,770,635.44 invested in capital assets and $15,518,222.82 in accumulated depreciation, which results in net capital assets of $28,252,412.62. The capital asset balance increased by $54,105.21 over the previous year during fiscal year 2014-15. The College recorded additions to construction in progress of $326,084.73 related to the roofing projects previously mentioned for Buildings 2, 3, and 4 as well as the renovation of Building 10. The increase in equipment of $645,982.32 was related to several small educational equipment purchases including educational trainers, breathing equipment, radios for the fire and rescue program, and vehicles for the automotive and basic law enforcement curriculum programs. The College also purchased non-educational equipment including a dispatch radio system and technology upgrades throughout the campus. Depreciation expense for the year was $1,017,381.70. The composition of net capital assets is detailed in Note 4.

In the 1999 Session, the General Assembly of North Carolina enacted House Bill 275 which implemented a zero unemployment insurance tax rate for employers with positive experience rating, temporarily reduced the unemployment insurance tax by twenty percent for most employers, and substituted an equivalent contribution to fund enhanced employment services and worker training programs. As a result of this legislation, North Carolina's Community Colleges received non-reverting appropriations to increase its training to new and expanding industries, to provide focused industrial training, and to purchase equipment. At June 30, 2015, the College had $933,679 remaining from its original House Bill 275 equipment appropriation.

The College does not issue debt to fund capital assets. The primary funding sources for equipment expenditures are state and county appropriations. Construction expenditures are funded by state issued general obligation bonds and matching local funds, as required.

The College's Financial Position

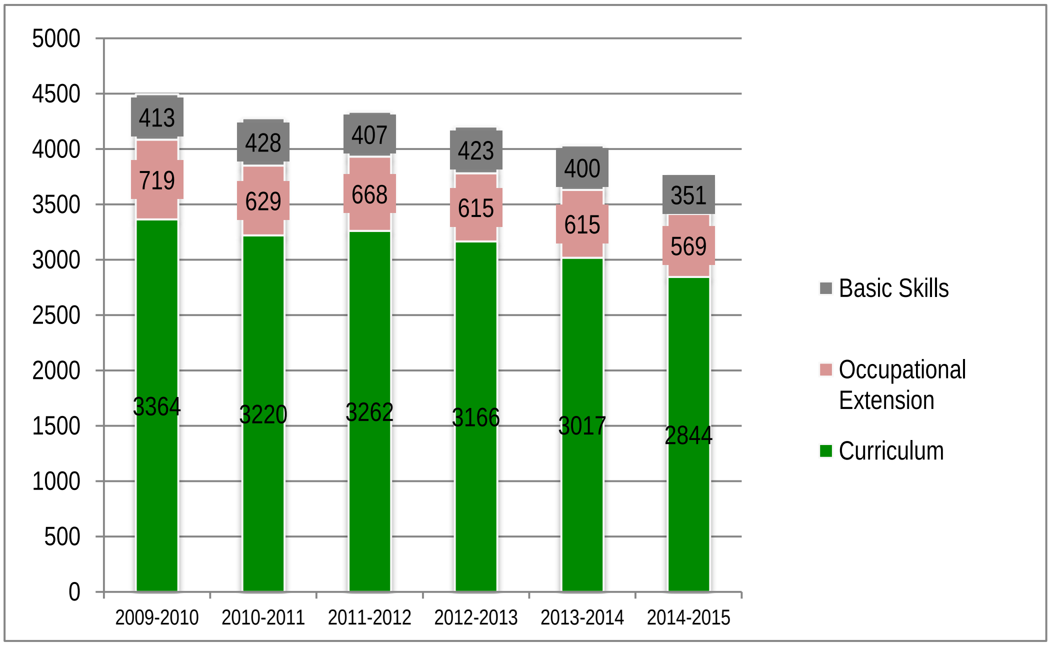
The ability of the College to fulfill its mission and execute its strategic plan is directly influenced by state, federal, and county support, enrollment, and financial aid available to students. These issues impact the financial and budget planning process each year.

State support is the College's primary funding source of all revenues during the year. A majority of the state support that the College receives is appropriated based on the state budgetary full-time equivalency (FTE). The state budgetary FTE has been calculated based on the following:

- Fiscal Years 2009-2010, 2010-2011, 2011-2012, and 2012-2013: State budgetary FTE equals the higher of the prior year's enrollment or the average of the prior three years.
- Fiscal Years 2013-2014 and 2014-2015: State budgetary FTE equals higher of the prior year's enrollment or the average of the prior two years.

The table below illustrates the State budgetary FTE for the past five years.

STATE BUDGETARY FULL-TIME EQUIVALENCY



State budgetary FTE for 2015-2016 has been calculated to be 2,690 for curriculum, 493 for occupational extension, and 280 for basic skills. This calculation resulted in an 8% decrease in state budgetary FTE as compared to the prior year.

Appropriations from Vance, Granville, Warren and Franklin Counties are primarily for plant operations and maintenance. For the budget year 2015 – 2016, county appropriations increased by approximately 1.98% over the prior year. This increase is reflected in county appropriations for current expenses.

Historically, a decline in the economy results in a growth of enrollment as individuals who have lost their jobs return to college for training and retraining. As the economy improves, job availability increases and community colleges see a decline in enrollment. Vance-Granville Community College has historically followed this trend. During fiscal year 2015, the College experienced a decrease in enrollment for occupational extension, basic skills and curriculum programs.

The College's Financial Future

The State of North Carolina remains the main source of funding for the College and the level of this support is one of the key factors influencing the College's financial condition and its ability to expand programs, undertake new initiatives, and continue to meet its core mission. The College remains confident in its ability to maintain its fiscal stability and to attract citizens into higher education. The College's Board of Trustees and administrators are dedicated in their efforts toward program assessment; cost containment; continuous improvement; expansion of curriculum, occupational training, and continuing education programs; and increased distance learning opportunities. These efforts are geared toward assessing the

College's performance related to institutional goals, freeing up resources to support change, and growing new programs and opportunities. As a result, Vance-Granville Community College is positioned to increase enrollment strategically, and when appropriate, eliminate obsolete programs. The College also intends to continue to partner with the state and community in economic development and meet public expectations, while remaining financially sound.

FINANCIAL STATEMENTS

Vance-Granville Community College
Statement of Net Position
June 30, 2015 ***Exhibit A-1***

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 7,954,117.89
Restricted Cash and Cash Equivalents	563,756.68
Short-Term Investments	87,735.16
Receivables, Net (Note 3)	565,814.92
Due from State of North Carolina Component Units	184,000.00
Inventories	588,558.98
Total Current Assets	9,943,983.63
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	323,876.37
Restricted Due from Primary Government	835,445.80
Investments	1,918,839.56
Capital Assets - Nondepreciable (Note 4)	1,478,818.91
Capital Assets - Depreciable, Net (Note 4)	26,773,593.71
Total Noncurrent Assets	31,330,574.35
Total Assets	41,274,557.98
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	1,414,579.00
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 5)	521,995.03
Unearned Revenue	124,176.59
Funds Held for Others	54,267.39
Long-Term Liabilities - Current Portion (Note 6)	58,766.82
Total Current Liabilities	759,205.83
Noncurrent Liabilities:	
Long-Term Liabilities (Note 6)	3,154,354.41
Total Liabilities	3,913,560.24
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	4,336,094.00
NET POSITION	
Investment in Capital Assets	28,252,412.62
Restricted for:	
Expendable:	
Scholarships and Fellowships	15,128.25
Loans	14,792.90
Capital Projects	1,159,322.17
Other	351,678.67
Unrestricted	4,646,148.13
Total Net Position	$ 34,439,482.74

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

Vance-Granville 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 7)	$	2,304,239.78
State and Local Grants and Contracts		251,992.27
Sales and Services, Net (Note 7)		1,338,003.15
Other Operating Revenues		42,717.41
Total Operating Revenues		3,936,952.61
EXPENSES		
Operating Expenses:		
Salaries and Benefits		21,457,405.87
Supplies and Materials		3,193,828.92
Services		2,685,642.95
Scholarships and Fellowships		2,921,895.24
Utilities		529,263.68
Depreciation		1,017,381.70
Total Operating Expenses		31,805,418.36
Operating Loss		(27,868,465.75)
NONOPERATING REVENUES (EXPENSES)		
State Aid		17,284,671.86
County Appropriations		2,197,044.80
Noncapital Grants - Student Financial Aid		6,046,901.98
Noncapital Grants		1,879,781.20
Noncapital Gifts		1,569,206.99
Investment Loss		(4,818.93)
Other Nonoperating Expenses		(17,219.78)
Net Nonoperating Revenues		28,955,568.12
Income Before Other Revenues		1,087,102.37
State Capital Aid		776,298.03
County Capital Aid		430,774.92
Increase in Net Position		2,294,175.32
NET POSITION		
Net Position, July 1, 2014 as Restated (Note 13)		32,145,307.42
Net Position, June 30, 2015	$	34,439,482.74

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

Vance-Granville Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 3,953,785.86
Payments to Employees and Fringe Benefits	(21,951,241.89)
Payments to Vendors and Suppliers	(5,943,926.44)
Payments for Scholarships and Fellowships	(2,958,550.80)
Other Payments	(5,317.45)
Net Cash Used by Operating Activities	(26,905,250.72)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	17,284,671.86
County Appropriations	2,197,044.80
Noncapital Grants - Student Financial Aid	6,027,441.61
Noncapital Grants	2,046,575.18
Noncapital Gifts	1,659,047.85
Cash Provided by Noncapital Financing Activities	29,214,781.30
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	847,767.53
County Capital Aid	430,774.92
Proceeds from Sale of Capital Assets	25.26
Acquisition and Construction of Capital Assets	(1,089,918.07)
Net Cash Provided by Capital and Related Financing Activities	188,649.64
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,987,767.76
Investment Income	101,813.82
Purchase of Investments and Related Fees	(2,058,120.61)
Net Cash Provided by Investing Activities	31,460.97
Net Increase in Cash and Cash Equivalents	2,529,641.19
Cash and Cash Equivalents, July 1, 2014	6,312,109.75
Cash and Cash Equivalents, June 30, 2015	$ 8,841,750.94

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (27,868,465.75)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,017,381.70
Pension expense	540,786.00
Nonoperating Other Income	1,186.12
Changes in Assets, Liabilities, and Deferred Outflows of Resources:	
Receivables, Net	(10,310.41)
Inventories	191,593.59
Accounts Payable and Accrued Liabilities	278,397.41
Unearned Revenue	(13,721.25)
Funds Held for Others	(6,503.57)
Deferred Outflows - Contributions After the Measurement Date	(1,312,684.00)
Compensated Absences	277,089.44
Net Cash Used by Operating Activities	$ (26,905,250.72)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	$ 7,954,117.89
Restricted Cash and Cash Equivalents	563,756.68
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	323,876.37
Total Cash and Cash Equivalents - June 30, 2015	$ 8,841,750.94

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	$ (71,250.44)
Increase in Receivables Related to Nonoperating Income	36,666.39
Loss on Disposal of Capital Assets	(18,405.90)

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

Vance-Granville Community College Endowment Fund Corporation
Statement of Financial Position
June 30, 2015

Exhibit B-1

ASSETS		
Cash and Cash Equivalents	$	1,771,575
Long-Term Investments, Net		3,662,510
Total Assets		5,434,085
LIABILITIES		
Accounts Payable		1,808
NET ASSETS		
Unrestricted		25,291
Temporarily Restricted		108,965
Permanently Restricted		5,298,021
Total Net Assets	$	5,432,277

Vance-Granville Community College Endowment Fund Corporation
Statement of Activities
For the Fiscal Year Ended June 30, 2015 *Exhibit B-2*

CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted Revenues and Gains:		
Contributions	$	93,146
In-Kind Contributions		163,331
Total Unrestricted Revenues and Gains		256,477
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		97,543
Total Unrestricted Revenues, Gains, and Other Support		354,020
Expenses and Losses:		
Scholarships		123,067
Other Program Services		14,170
Management and General		133,090
Fund Raising		57,886
Loss on Sale of Investments		7,378
Unrealized Losses on Investments		119,415
Total Expenses and Losses		455,006
Net Assets Released from Restrictions:		
Reclassification to Permanently Restricted Assets		15,820
Total Expenses, Losses, and Reclassifications		470,826
Decrease in Unrestricted Net Assets		(116,806)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions		23,135
Income on Long-Term Investments		61,808
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		(97,543)
Decrease in Temporarily Restricted Net Assets		(12,600)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions		520,635
Reclassification from unrestricted net assets		15,820
Increase in Permanently Restricted Net Assets		536,455
Increase in Net Assets		407,049
Net Assets at Beginning of Year		5,025,228
Net Assets at End of Year	$	5,432,277

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. Vance-Granville 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 – Vance-Granville Community College Endowment Fund Corporation (Corporation) 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 Corporation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Corporation board consists of 16 members including the College's President serving as Chair. Although the College does not control the timing or amount of receipts from the Corporation, the majority of resources, or income thereon, that the Corporation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Corporation can only be used by, or for the benefit of the College, the Corporation 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 Corporation 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 Corporation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2015, the Corporation distributed $123,067 to the College for both restricted and unrestricted purposes. Complete financial statements for the Corporation can be obtained from the College's Vice-President of Finance and Operations at P.O. Box 917, Henderson, NC 27536, or by calling (252) 738-3221.

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. Investments - Investments generally are reported at fair value, as determined by quoted market prices or estimated amounts determined by management if quoted market prices are not available. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

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

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at cost using the first-in, first-out method.

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

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

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

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

J. **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 9 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

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

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 December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

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

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

Restricted Net Position - 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.

M. 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.

N. **Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain 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.

O. **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 Day Care Center. 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.

P. **County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. **Deposits** - The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2015 was $4,226.50. The carrying amount of the College's deposits not with the State Treasurer was $1,121,631.71, and the bank balance was $1,219,396.32.

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.

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

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

At June 30, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes $7,715,892.73, 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 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.

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2015, for the College's investments. Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. The College does not have a formal investment policy that addresses interest rate risk.

Investments

		Investment Maturities (in Years)		
	Fair Value	1 to 5	6 to 10	More than 10
Investment Type				
Debt Securities				
Corporate Bonds	$ 396,040.74	$ 140,973.51	$ 149,389.66	$ 105,677.57
Government & Agency Bonds	106,527.53	8,700.00	14,353.27	83,474.26
Municipal Bonds	30,940.80	10,790.50		20,150.30
Annuity Contract	452,646.21			452,646.21
Total Debt Securities	986,155.28	$ 160,464.01	$ 163,742.93	$ 661,948.34
Other Securities				
Mutual Funds	26,724.34			
Domestic Stocks	482,055.29			
Foreign Stocks	243,567.73			
Exchange-Traded Funds (ETFs)	180,336.92			
Short-Term Investments - Cash & Money Market Funds	87,735.16			
Total Investments	$ 2,006,574.72			

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have a formal policy that addresses credit risk. As of June 30, 2015, the College's investments were rated as follows:

	Fair Value	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Corporate Bonds	$ 396,040.74	$ 0.00	$ 0.00	$ 36,425.29	$ 124,655.00	$ 234,960.45	$ 0.00
Government & Agency Bonds	106,527.53	30,596.39					75,931.14
Municipal Bonds	30,940.80		14,425.40	16,515.40			
Annuity Contract	452,646.21						452,646.21
Totals	$ 986,155.28	$ 30,596.39	$ 14,425.40	$ 52,940.69	$ 124,655.00	$ 234,960.45	$ 528,577.35

Rating Agency: Moodys

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The College places no limit on the amount that may be invested in any one issuer. More than 5% of the College's investments are in AXA Equitable Accumulator Plus (NQ) Annuities which represents 22.56% of the College's investments.

Component Unit - Investments of the College's discretely presented component unit, the Vance-Granville Community College Endowment Fund Corporation, 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 Corporation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type as of June 30, 2015:

	Cost	Fair Value	Carry Value
Permanently Restricted:			
AXA Equitable Accumulator Plus (NQ)	$ 1,150,000	$ 1,413,052	$ 1,413,052
Corporate Bonds	637,104	614,717	614,717
Government Bonds	175,747	171,173	171,173
Municipal Bonds	37,485	36,666	36,666
Equity & Option Securities	1,096,624	1,114,733	1,114,733
Mutual Funds	314,121	312,169	312,169
Total	$ 3,411,080	$ 3,662,510	$ 3,662,510

Investment fees were $52,068.91

C. **Reconciliation of Deposits and Investments** - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2015, is as follows:

Cash on Hand	$ 4,226.50
Carrying Amount of Deposits with Private Financial Institutions	1,121,631.71
Investments in the Short-Term Investment Fund	7,715,892.73
Other Investments	2,006,574.72
Total Deposits and Investments	$ 10,848,325.66
Deposits	
Current:	
Cash and Cash Equivalents	$ 7,954,117.89
Restricted Cash and Cash Equivalents	563,756.68
Noncurrent:	
Restricted Cash and Cash Equivalents	323,876.37
Total Deposits	8,841,750.94
Investments	
Current:	
Short-Term Investments	87,735.16
Noncurrent:	
Investments	1,918,839.56
Total Investments	2,006,574.72
Total Deposits and Investments	$ 10,848,325.66

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

		Gross Receivables		Less Allowance for Doubtful Accounts		Net Receivables
Current Receivables:						
Students	$	1,218,726.35	$	861,417.59	$	357,308.76
Student Sponsors		56,505.05				56,505.05
Intergovernmental		141,033.59				141,033.59
Other		12,844.81		1,877.29		10,967.52
Total Current Receivables	$	1,429,109.80	$	863,294.88	$	565,814.92

NOTE 4 - 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	$	963,221.18	$	0.00	$	0.00	$	963,221.18
Construction in Progress		189,513.00		326,084.73				515,597.73
Total Capital Assets, Nondepreciable		1,152,734.18		326,084.73				1,478,818.91
Capital Assets, Depreciable:								
Buildings		33,595,404.71						33,595,404.71
Machinery and Equipment		5,839,767.90		645,982.34		45,689.07		6,440,061.17
General Infrastructure		2,138,499.65		117,851.00				2,256,350.65
Total Capital Assets, Depreciable		41,573,672.26		763,833.34		45,689.07		42,291,816.53
Less Accumulated Depreciation for:								
Buildings		11,493,850.40		619,652.26				12,113,502.66
Machinery and Equipment		2,452,722.29		340,108.30		27,257.91		2,765,572.68
General Infrastructure		581,526.34		57,621.14				639,147.48
Total Accumulated Depreciation		14,528,099.03		1,017,381.70		27,257.91		15,518,222.82
Total Capital Assets, Depreciable, Net		27,045,573.23		(253,548.36)		18,431.16		26,773,593.71
Capital Assets, Net	$	28,198,307.41	$	72,536.37	$	18,431.16	$	28,252,412.62

NOTE 5 - 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	$	430,654.08
Accrued Payroll		53,904.08
Intergovernmental Payables		4,024.89
Other		33,411.98
Total	$	521,995.03

NOTE 6 - 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	$ 6,131,729.00	$ 0.00	$ 4,931,170.00	$ 1,200,559.00	$ 0.00
Compensated Absences	1,735,472.79	1,545,204.16	1,268,114.72	2,012,562.23	58,766.82
Total Long-Term Liabilities	$ 7,867,201.79	$ 1,545,204.16	$ 6,199,284.72	$ 3,213,121.23	$ 58,766.82

Addional information regarding the net pension liability is included in Note 9.

NOTE 7 - 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	$ 4,933,318.73	$ 0.00	$ 2,474,766.90	$ 154,312.05	$ 2,304,239.78
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	$ 2,123,865.07	$ 0.00	$ 1,256,067.66	$ (60.17)	$ 867,857.58
Facilities Rental	49,745.00				49,745.00
Vending	24,680.88				24,680.88
Sales and Services of Education and Related Activities	406,157.79	11,200.00		(761.90)	395,719.69
Total Sales and Services	$ 2,604,448.74	$ 11,200.00	$ 1,256,067.66	$ (822.07)	$ 1,338,003.15

NOTE 8 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 12,615,446.53	$ 920,634.39	$ 871,686.71	$ 0.00	$ 0.00	$ 0.00	$ 14,407,767.63
Public Service	6,448.56	10,634.71	30,116.52				47,199.79
Academic Support	1,920,055.08	63,395.60	114,614.14				2,098,064.82
Student Services	1,894,181.97	40,239.80	132,869.55				2,067,291.32
Institutional Support	3,410,834.44	346,848.19	1,111,635.28				4,869,317.91
Operations and Maintenance of Plant	876,634.13	160,760.71	336,952.19		529,263.68		1,903,610.71
Student Financial Aid			3,938.46	2,921,895.24			2,925,833.70
Auxiliary Enterprises	193,019.16	1,651,315.52	83,830.10				1,928,164.78
Depreciation						1,017,381.70	1,017,381.70
Pension Expense	540,786.00						540,786.00
Total Operating Expenses	$ 21,457,405.87	$ 3,193,828.92	$ 2,685,642.95	$ 2,921,895.24	$ 529,263.68	$ 1,017,381.70	$ 31,805,418.36

NOTE 9 - 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 $1,312,684.12, and employee contributions were $860,776.47 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 $1,200,559.00 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 .010240%, which was an increase of 1.39% 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%)
$8,618,446.00	$1,200,559.00	$(5,062,766.00)

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 $540,786.00. 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	$ 279,844.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		4,056,250.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	101,895.00	
Contributions Subsequent to the Measurement Date	1,312,684.00	
Total	$ 1,414,579.00	$ 4,336,094.00

$1,312,684.00 of the amount 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	$ (1,061,016.00)
2017	(1,061,016.00)
2018	(1,061,016.00)
2019	(1,051,151.00)
Total	$ (4,234,199.00)

NOTE 10 - 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 $787,610.47, $769,145.81, and $755,897.05, 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 $58,819.73, $62,671.14, and $62,753.72, 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 11 - 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. The College purchases dishonesty/crime insurance for employees whose salaries or wages are paid solely from county or institutional funds.

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 12 - 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 $366,255.14 and on other purchases were $312,420.80 at June 30, 2015.

NOTE 13 - 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	$ 37,039,279.42
Restatement:	
Record the College's Net Pension Liability and Pension Related Deferred Outflows of Resources Per GASB 68 Requirements	(4,893,972.00)
July 1, 2014 Net Position as Restated	$ 32,145,307.42

REQUIRED SUPPLEMENTARY INFORMATION

Vance-Granville 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	0.10240%	0.10100%
Proportionate Share of TSERS Collective Net Pension Liability	$ 1,200,559.00	$ 6,131,729.00
Covered-Employee Payroll	$ 14,243,440.88	$ 14,262,208.41
Net Pension Liability as a Percentage of Covered-Employee Payroll	8.43%	42.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

Vance-Granville 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	$ 1,312,684.12	$ 1,237,755.01	$ 1,188,041.96	$ 1,067,252.27	$ 735,917.95
Contributions in Relation to the Contractually Determined Contribution	1,312,684.12	1,237,755.01	1,188,041.96	1,067,252.27	735,917.95
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 14,346,274.57	$ 14,243,440.88	$ 14,262,208.41	$ 14,344,788.64	$ 14,927,341.83
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	$ 534,636.31	$ 516,642.07	$ 465,683.79	$ 403,767.77	$ 335,411.81
Contributions in Relation to the Contractually Determined Contribution	534,636.31	516,642.07	465,683.79	403,767.77	335,411.81
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 14,975,807.04	$ 15,376,252.14	$ 15,268,320.83	$ 15,179,239.40	$ 14,333,837.94
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

Vance Granville 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

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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
Vance-Granville Community College
Henderson, 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 Vance-Granville 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 16, 2016. Our report includes a reference to other auditors who audited the financial statements of the Vance-Granville Community College Endowment Fund Corporation, as described in our report on the College's financial statements. The financial statements of the Vance-Granville Community College Endowment Fund Corporation 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 the Vance-Granville Community College Endowment Fund Corporation.

Internal Control Over Financial Reporting

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

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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 16, 2016

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Bill Holmes
Director of External Affairs
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NC OSA
The Taxpayers' Watchdog

This audit required 405 audit hours at an approximate cost of $40,095.00.