

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



CENTRAL CAROLINA COMMUNITY COLLEGE

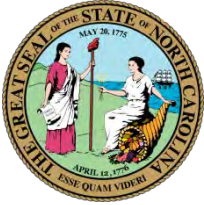
SANFORD, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2016

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



NC OSA
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Trustees, Central Carolina Community College

We have completed a financial statement audit of Central Carolina Community College for the year ended June 30, 2016, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

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

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Central Carolina Community College
Sanford, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Central Carolina Community College Foundation, Inc., the College's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for Central Carolina Community College Foundation, Inc., 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 Central Carolina Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 January 26, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

January 26, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS

Purpose

The information in the Management Discussion and Analysis (MD&A) section is intended to provide a general overview of Central Carolina Community College's (CCCC) financial statements, and is a summary of the accompanying financial statements. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information. For more information, please contact the Division of Finance at 919-718-7498.

Overview of the Financial Statements

The basic financial statements focus on the College as a whole and consist of three basic components: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

- The Statement of Net Position presents the College's assets, deferred outflows, liabilities, and deferred inflows with the difference being reported as net position. Net position reflects the differences in revenues and expenses over the life of the College. The comparison of net position assists the reader in determining the growth and stability of the College.
- The Statement of Revenues, Expenses, and Changes in Net Position displays revenue and expense activities of the College. The net effect of revenues and expenses rolls into net position which reflects the current year activities.
- The Statement of Cash Flows is prepared using the direct method. This statement shows the net changes in cash resulting from operating, investing and financing activities.

Statement of Net Position

Institutional Assets

The assets of the College are divided between current and noncurrent assets. Current assets include cash, receivables, and inventories. Total current assets increased by \$608,608, primarily attributable to the \$611,754 increase in net receivables related to grant funding not yet received by the College at year end. During fiscal year 2016, the College received a \$9.2 million First in the World (FITW) grant from the Department of Education. In addition, the College was the recipient of two supplementary TRIO grants (Science Technology Engineering and Math Health Sciences and Student Support Services Classic). Of the \$609,382 grant receivables at year end, \$321,202 is related to the FITW grant.

CURRENT ASSETS	2016	2015	Difference
Cash	\$ 3,731,135.88	\$ 3,679,290.75	\$ 51,845.13
Receivables, Net	1,060,342.81	448,589.03	611,753.78
Due from State of NC Component Units		20,000.00	(20,000.00)
Inventories	264,887.07	299,878.44	(34,991.37)
Total Current Assets	<u>\$ 5,056,365.76</u>	<u>\$ 4,447,758.22</u>	<u>\$ 608,607.54</u>

Noncurrent assets include cash and capital assets.

- Noncurrent cash at year end decreased by \$97,580, due primarily to the use of telecommunication property funds for necessary repairs on the Lee County campus that exceeded the county allocation.
- Additions and deletions associated with equipment remained basically the same from 2015 to 2016; however, there was a significant increase in the construction in progress balance over the prior year (\$1,404,778 as compared to \$84,560 in 2015). This CIP increase contributed to the increase in capital assets, but was offset by an increase in accumulated depreciation.

NONCURRENT ASSETS	2016	2015	Difference
Cash	\$ 51,142.42	\$ 148,722.01	\$ (97,579.59)
Capital Assets, Net	37,876,136.14	37,526,504.79	349,631.35
Total Noncurrent Assets	<u>\$ 37,927,278.56</u>	<u>\$ 37,675,226.80</u>	<u>\$ 252,051.76</u>

Overall, the College observed an increase in total assets of \$860,659 for fiscal year 2016.

TOTAL ASSETS	2016	2015	Difference
Total Assets	<u>\$ 42,983,644.32</u>	<u>\$ 42,122,985.02</u>	<u>\$ 860,659.30</u>

Deferred Outflows of Resources

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) was effective for the fiscal year ending June 30, 2015. Provisions of this statement provide for improved reporting of governmental employers of the net pension liability on the statement of net position (total pension liability of the pension plan, which is actuarially based, less the plan's fiduciary net position). Additional note disclosures and required supplementary information are included in these financial statements.

- For fiscal year 2016, the College noted an increase of \$517,391 in deferred outflows as related to the measurement requirements of GASB 68.

DEFERRED OUTFLOWS OF RESOURCES	2016	2015	Difference
Deferred Outflows Related to Pensions	<u>\$ 2,414,416.00</u>	<u>\$ 1,897,025.00</u>	<u>\$ 517,391.00</u>

Institutional Liabilities

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities that extend beyond a year. Long-term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year, calculated at the current salary rates for each employee, consistent with the institution's leave policies, and the net pension liability.

- The increase in current liabilities for fiscal year 2016 is mainly due to an increase in accounts payable (\$493,010). The accounts payable increase consists mainly of amounts due to the other nine colleges participating in the FITW grant (\$321,202).
- The increase in long-term liabilities is attributable to the requirement under GASB 68 that colleges must record their net pension liability. For 2016, the long-term net pension liability for CCCC is \$4,917,528, an increase of \$3,470,409. See Note 11 to the audited financial statements for further details related to the pension plan.

LIABILITIES	<u>2016</u>	<u>2015</u>	<u>Difference</u>
Current	\$ 2,423,922.99	\$ 1,849,698.96	\$ 574,224.03
Long-Term	<u>7,150,758.85</u>	<u>3,817,464.98</u>	<u>3,333,293.87</u>
	<u>\$ 9,574,681.84</u>	<u>\$ 5,667,163.94</u>	<u>\$ 3,907,517.90</u>

Deferred Inflows of Resources

Per GASB 68, the College has recognized the liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to the pension plan. For fiscal year 2016, deferred inflows related to pensions decreased \$4,134,708 in comparison to the previous fiscal year.

DEFERRED INFLOWS OF RESOURCES	<u>2016</u>	<u>2015</u>	<u>Difference</u>
Deferred Inflows Related to Pensions	<u>\$ 1,091,895.00</u>	<u>\$ 5,226,603.00</u>	<u>\$ (4,134,708.00)</u>

Net Position

Net position is a measure of the value of all the College's assets and deferred outflows after liabilities and deferred inflows are deducted.

- As discussed earlier, the College started several construction projects during 2016, contributing to the increases in the categories investment in capital assets and restricted for capital projects.
- The decrease in restricted for specific programs is primarily attributable to a decrease in patron fee funds on hand at year end.
- The decrease in restricted for other represents a decrease in funds on hand at year end for the Central Carolina Works program.
- The increase in unrestricted net position is primarily attributable to the decrease in deferred inflows related to pensions discussed above.

NET POSITION	2016	2015	Difference
Investment in Capital Assets	\$ 37,876,136.14	\$ 37,526,504.79	\$ 349,631.35
Restricted for Expendable:			
Scholarships and Fellowships	6,134.58	448.08	5,686.50
Loans	5,606.76	5,566.14	40.62
Capital Projects	190,986.32	110,510.65	80,475.67
Restricted for Specific Programs	50,793.71	178,709.90	(127,916.19)
Other	6,369.02	79,161.74	(72,792.72)
Unrestricted	(3,404,543.05)	(4,774,658.22)	1,370,115.17
Total Net Position	<u>\$ 34,731,483.48</u>	<u>\$ 33,126,243.08</u>	<u>\$ 1,605,240.40</u>

Statement of Revenues, Expenses, and Changes in Net Position

Revenues

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees and the revenue received from sales and services, principally comprised of the commissions received from the bookstore and vending and the rental of the Civic Center.

- While budgeted curriculum FTE (full-time equivalent) in 2016 increased from 3824 to 4021, tuition and fees collected only increased by \$586,160 due in part to the larger percentage of high school students enrolled in classes through the Central Carolina Works program. Curriculum tuition is waived for high school students taking classes at community colleges in North Carolina. High school student enrollment increased by 300 students over the prior year. The slight increase in tuition revenue can be attributed to the increase in the hourly tuition rate that occurred in January 2016. The legislature enacted a curriculum tuition increase of \$4.00 per credit hour effective for the Spring 2016 term.
- Commissions on book sales and patron fees comprise the majority of the sales and services account. The sales and services amount rose due to improved revenues in the bookstore (\$299,490 in 2016 as compared to \$110,828 in 2015). All textbooks for the high school students in the Central Carolina Works program are purchased directly from the Follett bookstore on campus. Due to the increased enrollment in the program, book sales have increased generating a higher commission paid to the College from Follett.

REVENUES	2016	2015	Difference
Student Tuition and Fees, Net	\$ 4,699,598.15	\$ 4,113,437.34	\$ 586,160.81
Sales and Services, Net	691,409.84	481,096.27	210,313.57
Total Operating Revenues	<u>\$ 5,391,007.99</u>	<u>\$ 4,594,533.61</u>	<u>\$ 796,474.38</u>

Nonoperating revenues comprise the major portion of the College's income and include state funds allocated to the College based on the FTE formula budget computation from the North Carolina State Board of Community Colleges for current expenses, equipment, and capital improvements.

- As noted above, budgeted FTE increased in 2016 providing for an increased state allocation. In addition, the College received performance carryover funding of \$305,432 and literacy carryover funding of \$100,000.
- Appropriations from each county increased as follows: Lee County (\$96,629) Chatham County (\$47,989) and Harnett County (\$76,500). The appropriations increased due to anticipated salary increases and utility costs. The increase in Harnett County appropriations was also due to increased maintenance and utility costs to make the Dunn Center operational during 2016.
- Noncapital grants – federal student financial aid dropped significantly in 2016. This can be attributed to fewer traditional on-campus students attending the College.
- The increase in noncapital grants can be credited to the College's receipt of the Department of Education's First in the World Grant. The \$9.2 million grant was awarded in October 2015, and includes nine other NC community colleges in working towards improving student success. The College also received two additional TRIO grants aimed at improving student support and success. The addition of these TRIO and FITW grants increased revenue by \$1,393,141 for 2016.
- The federal pass-through grant expenses represent funds provided to the other nine community college participants in the First in the World Grant.

NONOPERATING REVENUES (EXPENSES)	2016	2015	Difference
State Aid	\$ 23,638,020.73	\$ 22,631,140.16	\$ 1,006,880.57
County Appropriations	4,367,815.55	4,146,697.00	221,118.55
Noncapital Grants - Federal Student Financial Aid	8,391,521.98	9,342,764.69	(951,242.71)
Noncapital Grants	6,766,663.09	5,415,227.63	1,351,435.46
Investment Income	21,136.08	16,075.88	5,060.20
Other Nonoperating Revenues	14,135.21	12,489.22	1,645.99
Federal Pass-through Grant Expenses	(563,979.35)		(563,979.35)
Net Nonoperating Revenues	<u>\$ 42,635,313.29</u>	<u>\$ 41,564,394.58</u>	<u>\$ 1,070,918.71</u>

Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits.

- Salaries and benefits account for 63% of the total operating expenses of the College. There was a significant increase in salary expense in 2016 due to the personnel costs associated with the FITW and TRIO grant additions. Also, the College provided a \$600 salary increase to all full-time personnel, along with a \$750 bonus paid in December 2015.
- State equipment costs increased by \$349,800 in 2016, due in part to furnishing of the new Dunn Center in Harnett County
- Scholarships and fellowships expenses decreased due to a decline in on-campus enrollment as mentioned earlier.
- The increase in depreciation expense is due to the posting of a change in useful life estimate in fiscal year 2015 of \$300,636.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATING EXPENSES	2016	2015	Difference
Salaries and Benefits	\$ 31,129,970.01	\$ 29,960,572.10	\$ 1,169,397.91
Supplies and Materials	3,345,966.85	3,057,285.36	288,681.49
Services	6,372,907.07	6,332,711.51	40,195.56
Scholarships and Fellowships	6,131,889.94	6,704,663.75	(572,773.81)
Utilities	816,801.84	857,756.83	(40,954.99)
Depreciation	1,490,618.98	1,211,778.48	278,840.50
Total Operating Expenses	<u>\$ 49,288,154.69</u>	<u>\$ 48,124,768.03</u>	<u>\$ 1,163,386.66</u>

Capital Contributions

Capital contributions are generally comprised of appropriations from the North Carolina State Board of Community Colleges under the FTE formula allocation for educational equipment and instructional resources (library books), funding for capital improvements, and capital donations.

- During the 2016 fiscal year, the College spent \$239,842 in equipment funds furnishing the new Dunn Center site for instructional purposes, attributing to the increase in overall state equipment expenditures.
- Activity related to the Lee County bond funds increased during the fiscal year, creating an increase in construction in progress of \$1,404,778.45. These funds in the amount of \$23 million will provide for a new Health Sciences Center, renovations to the Veterinary Medical Facility and Emergency Services Training Center, an addition to the Dennis Wicker Civic Center, and renovations to the main Lee County campus.
- The College received a Duke Energy Grant of \$185,647 during 2016 to be used to purchase welding supplies and equipment.

	2016	2015	Difference
State Capital Aid	\$ 975,472.77	\$ 697,099.44	\$ 278,373.33
County Capital Aid	1,565,694.54	212,402.00	1,353,292.54
Capital Grants	211,895.50	38,421.19	173,474.31
Capital Gifts	114,011.00		114,011.00
Total Capital Contributions	<u>\$ 2,867,073.81</u>	<u>\$ 947,922.63</u>	<u>\$ 1,919,151.18</u>

	2016	2015	Difference
Total Revenues	\$ 51,457,374.44	\$ 47,106,850.82	\$ 4,350,523.62
Total Expenses	<u>49,852,134.04</u>	<u>48,124,768.03</u>	<u>1,727,366.01</u>
Change in Net Position	<u>\$ 1,605,240.40</u>	<u>\$ (1,017,917.21)</u>	<u>\$ 2,623,157.61</u>

Significant Capital Asset Activities

The following information details the major accomplishments in construction at CCCC during fiscal year 2016. Also see Note 5 to the audited financial statements for further details related to the capital asset activity.

Lee County Bond Funds

- Health Science Center: This is a Lee County project with a total allocation of \$9,000,000. The total amount paid on this project during fiscal year 2016 was \$291,109.84, with a total amount paid to date of \$321,084.84 (4% completed).
- Veterinary Medical Facility Renovations: This is a Lee County project with a total allocation of \$5,000,000. The total amount paid on this project during fiscal year 2016 was \$323,111.17, with a total amount paid to date of \$339,936.17 (7% completed).
- Emergency Services Training Center and Lee Main Campus Renovations: This is a Lee County project with a total allocation of \$4,000,000. The total amount paid on this project during fiscal year 2016 was \$540,602.19, with a total amount paid to date of \$565,362.19 (14% completed).
- Civic Center Expansion: This is a Lee County project with a total allocation of \$5,000,000. The total amount paid on this project during fiscal year 2016 was \$219,955.25, with a total amount paid to date of \$232,955.25 (5% completed).

Economic Forecast

Central Carolina Community College is well positioned to meet the needs of its growing service area. The College strives to maintain a strong financial base and will continue to be an asset to its service area for many years.

The College's state funding for 2015-2016 increased from the prior year primarily due to a small increase in FTE and the General Assembly provided a salary and benefit increase for college employees. The College's FTE appears to be rebounding from a few years of decreases and seems to have stabilized due to the Central Carolina Works program discussed earlier. The current enrollment appears to be comparable to prior years.

Chatham, Harnett, and Lee Counties continue to face challenges to adequately fund our facilities operational expenses due to weakened economic activity; however, the economies in these counties are showing signs of improvement. Even with these challenges, the counties in our service area have been very supportive of the College and have met our needs to the best of their financial abilities.

We continue to look for new funding sources for a variety of activities and projects. We have been successful in recent years of receiving a variety of grants. Some of these grants include: Title III, TRIO Upward Bound, National Science Foundation Laser Tech, and the Duke Energy Foundation Grant.

Community colleges continue to be an affordable option for citizens of our local communities. Our tuition remains well below that of four-year colleges and universities in the state.



FINANCIAL STATEMENTS

Central Carolina Community College
Statement of Net Position
June 30, 2016

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 3,468,333.50
Restricted Cash and Cash Equivalents	262,802.38
Receivables, Net (Note 4)	1,060,342.81
Inventories	264,887.07
	<hr/>
Total Current Assets	5,056,365.76

Noncurrent Assets:

Restricted Cash and Cash Equivalents	51,142.42
Capital Assets - Nondepreciable (Note 5)	5,610,743.08
Capital Assets - Depreciable, Net (Note 5)	32,265,393.06
	<hr/>
Total Noncurrent Assets	37,927,278.56

Total Assets	<hr/> <hr/> 42,983,644.32
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	<hr/> 2,414,416.00
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	1,686,014.38
Unearned Revenue	251,404.30
Funds Held for Others	37,819.90
Long-Term Liabilities - Current Portion (Note 7)	448,684.41
	<hr/>
Total Current Liabilities	2,423,922.99

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	<hr/> 7,150,758.85
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Total Liabilities	<hr/> <hr/> 9,574,681.84
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	<hr/> 1,091,895.00
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NET POSITION

Investment in Capital Assets	37,876,136.14
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Restricted for Expendable:

Scholarships and Fellowships	6,134.58
Loans	5,606.76
Capital Projects	190,986.32
Restricted for Specific Programs	50,793.71
Other	6,369.02

Unrestricted	<hr/> (3,404,543.05)
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Total Net Position	<hr/> <hr/> <hr/> \$ 34,731,483.48
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The accompanying notes to the financial statements are an integral part of this statement.

Central Carolina Community College
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2016

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 9)	\$ 4,699,598.15
Sales and Services, Net (Note 9)	691,409.84
	<hr/>
Total Operating Revenues	5,391,007.99

EXPENSES

Operating Expenses:

Salaries and Benefits	31,129,970.01
Supplies and Materials	3,345,966.85
Services	6,372,907.07
Scholarships and Fellowships	6,131,889.94
Utilities	816,801.84
Depreciation	1,490,618.98
	<hr/>
Total Operating Expenses	49,288,154.69
	<hr/>
Operating Loss	(43,897,146.70)

NONOPERATING REVENUES (EXPENSES)

State Aid	23,638,020.73
County Appropriations	4,367,815.55
Noncapital Grants - Federal Student Financial Aid	8,391,521.98
Noncapital Grants	6,766,663.09
Investment Income	21,136.08
Other Nonoperating Revenues	14,135.21
Federal Pass-through Grant Expenses	(563,979.35)
	<hr/>
Net Nonoperating Revenues	42,635,313.29
	<hr/>
Loss Before Other Revenues	(1,261,833.41)
	<hr/>
State Capital Aid	975,472.77
County Capital Aid	1,565,694.54
Capital Grants	211,895.50
Capital Gifts	114,011.00
	<hr/>
Increase in Net Position	1,605,240.40

NET POSITION

Net Position, July 1, 2015	33,126,243.08
	<hr/>
Net Position, June 30, 2016	\$ 34,731,483.48
	<hr/> <hr/>

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

Central Carolina Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 5,420,354.95
Payments to Employees and Fringe Benefits	(32,321,148.71)
Payments to Vendors and Suppliers	(10,479,058.79)
Payments for Scholarships and Fellowships	(6,132,714.47)
Other Receipts	209,975.62
	<u>209,975.62</u>
Net Cash Used by Operating Activities	<u>(43,302,591.40)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	23,638,020.73
County Appropriations	4,367,815.55
Noncapital Grants - Student Financial Aid	8,394,343.57
Noncapital Grants	6,262,326.13
Federal Pass-through Grants	(242,777.58)
	<u>(242,777.58)</u>
Net Cash Provided by Noncapital Financing Activities	<u>42,419,728.40</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	975,472.77
County Capital Aid	1,425,694.54
Capital Grants	252,680.48
Capital Gifts	114,011.00
Acquisition and Construction of Capital Assets	(1,951,866.33)
	<u>(1,951,866.33)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>815,992.46</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	21,136.08
	<u>21,136.08</u>
Cash Provided by Investing Activities	<u>21,136.08</u>
Net Decrease in Cash and Cash Equivalents	(45,734.46)
Cash and Cash Equivalents, July 1, 2015	3,828,012.76
	<u>3,828,012.76</u>
Cash and Cash Equivalents, June 30, 2016	<u>\$ 3,782,278.30</u>

Central Carolina Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (43,897,146.70)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,490,618.98
Pension Expense	649,561.00
Miscellaneous Pension Adjustments	1,569.20
Nonoperating Other Income	191,107.31
Changes in Assets, Liabilities, and Deferred Outflows of Resources:	
Receivables, Net	8,976.61
Inventories	34,991.37
Accounts Payable and Accrued Liabilities	106,452.58
Unearned Revenue	18,950.04
Funds Held for Others	19,464.09
Deferred Outflows for Contributions Subsequent to the Measurement Date	(1,832,820.20)
Compensated Absences	(94,315.68)
	<u>(94,315.68)</u>
Net Cash Used by Operating Activities	<u>\$ (43,302,591.40)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 3,468,333.50
Restricted Cash and Cash Equivalents	262,802.38
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>51,142.42</u>
Total Cash and Cash Equivalents - June 30, 2016	<u>\$ 3,782,278.30</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	\$ 620,730.39
Loss on Disposal of Capital Assets	(176,972.10)

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

Central Carolina Community College Foundation, Inc.
Statement of Financial Position
June 30, 2016

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	1,187,331
Investments		5,383,775
Receivables		1,531
Pledges Receivable/Promises		221
		<hr/>
Total Assets	\$	<u>6,572,858</u>

NET ASSETS

Unrestricted	\$	1,652,907
Temporarily Restricted		955,674
Permanently Restricted		3,964,277
		<hr/>
Total Net Assets	\$	<u>6,572,858</u>

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

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

Exhibit B-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Revenues and Other Support				
Contributions	\$ 166,182	\$ 435,516	\$ 479,678	\$ 1,081,376
Fund Raising Activities	377,702			377,702
Investment Return	(6,340)	(90,995)		(97,335)
Transfers from Funds	(397)	397		
Net Assets Released from Donor Restrictions	767,351	(767,351)		
Total Revenues and Other Support	<u>1,304,498</u>	<u>(422,433)</u>	<u>479,678</u>	<u>1,361,743</u>
EXPENSES				
Awards and Scholarships	770,357			770,357
General and Administrative	180,985			180,985
Fund Raising	16,941			16,941
Total Expenses	<u>968,283</u>			<u>968,283</u>
Increase (Decrease) in Net Assets	336,215	(422,433)	479,678	393,460
NET ASSETS				
Net Assets, Beginning of Year	<u>1,316,692</u>	<u>1,378,107</u>	<u>3,484,599</u>	<u>6,179,398</u>
Net Assets, End of Year	<u>\$ 1,652,907</u>	<u>\$ 955,674</u>	<u>\$ 3,964,277</u>	<u>\$ 6,572,858</u>

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



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. Central Carolina Community College Foundation, Inc., the College's component unit, is discretely presented in the College's financial statements.

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

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of not less than one nor more than eight of the voluntary Trustees of Central Carolina Community College, and such non-Trustee members may be selected pursuant to the bylaws of the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Central Carolina Community College Foundation, Inc. is a private nonprofit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2016, the Foundation distributed \$770,357 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from

the Administrative Services Division, Central Carolina Community College, 1105 Kelly Drive, Sanford, NC 27330.

- 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** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3.
- 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.

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
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 and 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 2015 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 11 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 fiscal year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

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

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

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

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

Restricted Net Position - 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 and (2) sales and services of auxiliary enterprises. 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. **County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

The College is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute 115D-58.7*. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling \$2,850.00 and deposits in private financial institutions with a carrying value of \$739,709.74 and a bank balance of \$893,409.43.

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

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

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

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

At June 30, 2016, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$3,039,718.56 which represents the College’s equity position in the State Treasurer’s Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2016. Assets and shares of the STIF are valued at 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 on the North Carolina Office of the State Controller’s website at <http://www.osc.nc.gov/> or by calling the State Controller’s Financial Reporting Section at (919) 707-0500.

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

	<u>Cost</u>	<u>Carrying Value</u>
Mutual Funds	<u>\$ 5,719,576.00</u>	<u>\$ 5,383,775.00</u>

The following schedule summarizes the investment return for the fiscal year ended June 30, 2016:

	Unrestricted	Temporarily Restricted
Interest and Dividends	\$ 89,266.00	\$ 176,894.00
Unrealized Loss	(88,322.00)	(247,479.00)
Realized Loss	(7,284.00)	(20,410.00)
	<u>\$ (6,340.00)</u>	<u>\$ (90,995.00)</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs and may require a degree of professional judgment.

Short-Term Investment Fund – At year-end, all of the College’s investments valued at \$3,039,718.56 were held in the STIF which is a Level 2 investment. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian.

Component Unit – Financial Accounting Standards Board Statement Accounting Standards Codification 820, Fair Value Measurements and Disclosures (FASB ASC 820), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques uses to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets.
- Level 2 Inputs - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or other inputs that can be corroborated by observable market data for substantially the full term of the assets.
- Level 3 Inputs – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Mutual funds are valued using prices quoted in active markets for those securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table represents assets reported on the statement of financial position at their fair value as of June 30, 2016, by level within the fair value hierarchy:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	<u>\$ 5,383,775</u>	<u>\$ 5,383,775</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,383,775</u>

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 1,043,050.28	\$ 793,489.65	\$ 249,560.63
Student Sponsors	44,897.38		44,897.38
Intergovernmental	700,011.32		700,011.32
Grant Sponsors	50,857.90		50,857.90
Other	15,015.58		15,015.58
Total Current Receivables	\$ 1,853,832.46	\$ 793,489.65	\$ 1,060,342.81

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2016, is presented as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 4,121,404.63	\$ 0.00	\$ 0.00	\$ 4,121,404.63
Construction in Progress	84,560.00	1,404,778.45		1,489,338.45
Total Capital Assets, Nondepreciable	4,205,964.63	1,404,778.45		5,610,743.08
Capital Assets, Depreciable:				
Buildings	46,223,908.83			46,223,908.83
Machinery and Equipment	8,023,126.94	612,443.98	414,494.45	8,221,076.47
General Infrastructure	552,300.11			552,300.11
Total Capital Assets, Depreciable	54,799,335.88	612,443.98	414,494.45	54,997,285.41
Less Accumulated Depreciation for:				
Buildings	17,686,406.59	1,032,525.84		18,718,932.43
Machinery and Equipment	3,532,480.38	419,877.22	237,522.35	3,714,835.25
General Infrastructure	259,908.75	38,215.92		298,124.67
Total Accumulated Depreciation	21,478,795.72	1,490,618.98	237,522.35	22,731,892.35
Total Capital Assets, Depreciable, Net	33,320,540.16	(878,175.00)	176,972.10	32,265,393.06
Capital Assets, Net	\$ 37,526,504.79	\$ 526,603.45	\$ 176,972.10	\$ 37,876,136.14

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>Amount</u>
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 818,462.44
Accrued Payroll	856,116.27
Other	<u>11,435.67</u>
Total Current Accounts Payable and Accrued Liabilities	<u><u>\$ 1,686,014.38</u></u>

NOTE 7 - LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Current Portion</u>
Net Pension Liability	\$ 1,447,119.00	\$ 3,470,409.00	\$ 0.00	\$ 4,917,528.00	\$ 0.00
Compensated Absences	<u>2,776,230.94</u>	<u>1,742,737.96</u>	<u>1,837,053.64</u>	<u>2,681,915.26</u>	<u>448,684.41</u>
Total Long-Term Liabilities	<u><u>\$ 4,223,349.94</u></u>	<u><u>\$ 5,213,146.96</u></u>	<u><u>\$ 1,837,053.64</u></u>	<u><u>\$ 7,599,443.26</u></u>	<u><u>\$ 448,684.41</u></u>

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

NOTE 8 - OPERATING LEASE OBLIGATIONS

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

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 280,822.54
2018	120.00
2019	120.00
2020	120.00
2021	<u>120.00</u>
Total Minimum Lease Payments	<u><u>\$ 281,302.54</u></u>

Rental expense for all operating leases during the year was \$344,540.46.

NOTE 9 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$ 7,750,851.36</u>	<u>\$ 3,059,664.05</u>	<u>\$ (8,410.84)</u>	<u>\$ 4,699,598.15</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 105,344.44	\$ 0.00	\$ 0.00	\$ 105,344.44
Bookstore	327,109.57		27,619.15	299,490.42
Sales and Services of Education and Related Activities	<u>286,574.98</u>			<u>286,574.98</u>
Total Sales and Services, Net	<u>\$ 719,028.99</u>	<u>\$ 0.00</u>	<u>\$ 27,619.15</u>	<u>\$ 691,409.84</u>

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 16,757,322.02	\$ 1,922,161.13	\$ 1,001,203.02	\$ 0.00	\$ 0.00	\$ 0.00	\$ 19,680,686.17
Public Service	606,006.48	32,913.63	1,847,213.88		66,590.77		2,552,724.76
Academic Support	4,903,125.53	294,858.09	197,997.95				5,395,981.57
Student Services	2,854,705.45	176,447.61	721,027.02				3,752,180.08
Institutional Support	4,825,596.75	436,067.65	1,074,205.99				6,335,870.39
Operations and Maintenance of Plant	1,175,466.08	471,518.74	1,509,480.63		750,211.07		3,906,676.52
Student Financial Aid			6,317.17	6,131,889.94			6,138,207.11
Auxiliary Enterprises	7,747.70	12,000.00	15,461.41				35,209.11
Depreciation						1,490,618.98	1,490,618.98
Total Operating Expenses	<u>\$ 31,129,970.01</u>	<u>\$ 3,345,966.85</u>	<u>\$ 6,372,907.07</u>	<u>\$ 6,131,889.94</u>	<u>\$ 816,801.84</u>	<u>\$ 1,490,618.98</u>	<u>\$ 49,288,154.69</u>

NOTE 11 - PENSION PLANS

Defined Benefit Plan

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

provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2016 was 9.15% of covered payroll. The College's contributions to the pension plan were \$1,832,820.20, and employee contributions were \$1,201,849.31 for the year ended June 30, 2016.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2015 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <http://www.osc.nc.gov/> 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 2015 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2016, the College reported a liability of \$4,917,528.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, and update procedures were used to roll forward the total pension liability to June 30, 2015. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2015, the College's proportion was 0.13344%, which was an increase of .01001 from its proportion measured as of June 30, 2014.

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

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

* Salary increases include 3.5% inflation and productivity factor.

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data,

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

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

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

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

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

<u>Net Pension Liability (Asset)</u>		
<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
\$ 14,800,402.86	\$ 4,917,528.00	\$ (3,469,230.50)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2016, the College recognized pension expense of \$649,561.00. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 0.00	\$ 559,123.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		532,772.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	581,595.80	
Contributions Subsequent to the Measurement Date	1,832,820.20	
Total	<u>\$ 2,414,416.00</u>	<u>\$ 1,091,895.00</u>

The amount of \$1,832,820.20 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	Amount
2017	\$ (469,896.00)
2018	(469,896.00)
2019	(458,277.00)
2020	887,769.80
Total	<u>\$ (510,299.20)</u>

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

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

membership service in their retirement system prior to disability or retirement.

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

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

For the current fiscal year the College contributed 5.60% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2015, and 2014, were 5.49% and 5.4%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2016, 2015, and 2014, which were \$1,121,726.02, \$1,045,200.93, and \$962,136.52, 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 on the North Carolina Office of the State Controller's website at <http://www.osc.nc.gov/> 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, 2016, 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, 2015, and 2014, were .41% and .44%, respectively. The College made 100% of its annual

required contributions to the DIPNC for the years ended June 30, 2016, 2015, and 2014, which were \$82,126.37, \$78,056.90, and \$78,396.31 respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 13 - RISK MANAGEMENT

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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

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

coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$100,000 deductible. The College is protected from losses from employee dishonesty and computer fraud for employees paid by county and institutional funds by private insurance coverage.

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the College

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. The types of insurance policies purchased include: general liability, crime, business auto, umbrella, property, health professional, officers liability and employers liability.

NOTE 14 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on purchases. Outstanding commitments on purchases were \$51,301.43 at June 30, 2016.

NOTE 15 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2016, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 72, Fair Value Measurement and Application

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

GASB Statement No. 79, Certain External Investment Pools and Pool Participants

GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.



REQUIRED SUPPLEMENTARY INFORMATION

**Central Carolina Community College
 Required Supplementary Information
 Schedule of the Proportionate Net Pension Liability
 Teachers' and State Employees' Retirement System
 Last Three Fiscal Years**

Exhibit C-1

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportionate Share Percentage of Collective Net Pension Liability	0.13344%	0.12343%	0.12200%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 4,917,528.00	\$ 1,447,119.00	\$ 7,406,643.00
Covered-Employee Payroll	\$ 19,038,269.29	\$ 17,817,343.02	\$ 18,139,580.39
Net Pension Liability as a Percentage of Covered-Employee Payroll	25.83%	8.12%	40.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%

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

Exhibit C-2

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$ 1,832,820.20	\$ 1,742,001.55	\$ 1,548,327.11	\$ 1,511,027.05	\$ 1,267,307.20
Contributions in Relation to the Contractually Determined Contribution	<u>1,832,820.20</u>	<u>1,742,001.55</u>	<u>1,548,327.11</u>	<u>1,511,027.05</u>	<u>1,267,307.20</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Covered-Employee Payroll	\$ 20,030,821.82	\$ 19,038,268.29	\$ 17,817,343.02	\$ 18,139,580.39	\$ 17,033,698.91
Contributions as a Percentage of Covered-Employee Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually Required Contribution	\$ 853,331.80	\$ 604,215.46	\$ 572,532.42	\$ 510,951.23	\$ 427,967.24
Contributions in Relation to the Contractually Determined Contribution	<u>853,331.80</u>	<u>604,215.46</u>	<u>572,532.42</u>	<u>510,951.23</u>	<u>427,967.24</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Covered-Employee Payroll	\$ 17,308,961.44	\$ 16,924,802.78	\$ 17,039,655.41	\$ 16,752,499.26	\$ 16,088,993.94
Contributions as a Percentage of Covered-Employee Payroll	4.93%	3.57%	3.36%	3.05%	2.66%

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

Changes of Benefit Terms:

<u>Cost of Living Increase</u>									
<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1.00%	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

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

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



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
Central Carolina Community College
Sanford, 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 Central Carolina Community College (College), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 26, 2017. Our report includes a reference to other auditors who audited the financial statements of Central Carolina Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Central Carolina Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Central Carolina Community College Foundation, Inc.

Internal Control Over Financial Reporting

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

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

possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

January 26, 2017

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



This audit required 261 audit hours at an approximate cost of \$26,883.