State of North Carolina

Office of The State Auditor

Beth A. Wood, CPA

Blue Ridge Community College

Flat Rock, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2016

A Component Unit of the State of North Carolina

NCOSA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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

AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Blue Ridge Community College for the year ended June 30, 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.

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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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Blue Ridge Community College, and its discretely presented component unit, as of June 30, 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 March 9, 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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 9, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Blue Ridge Community College's (College) annual financial statements presents an overview of the College's financial activities during the fiscal year that ended on June 30, 2016. We encourage readers to consider this information in conjunction with the financial statements and the notes to the financial statements. For more information, please contact the Chief Financial Officer at (828) 694-1730.

Overview of the Financial Statements

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

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

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

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

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

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

Financial Analysis

Condensed Statement of Net Position

Below is a condensed comparative analysis between the Statement of Net Position for the fiscal year ended June 30, 2016 and the prior fiscal year.

Noncurrent Assets			
Restricted Cash and Cash Equivalents	1,539,544	1,306,853	232,691
Capital Assets, Net	29,303,554	30,154,180	(850,626)
Total Assets	34,056,657	33,649,906	406,751
Deferred Outflows of Resources	1,028,052	1,043,627	(15,575)
Liabilities			
Current Liabilities	804,475	1,058,880	(254,405)
Long-Term Liabilities	2,865,155	1,321,481	1,543,674
Total Liabilities	3,669,630	2,380,361	1,289,269
Deferred Inflows of Resources	535,186	2,706,672	(2,171,486)
Net Position			
Investment in Capital Assets	29,303,554	30,154,180	(850,626)
Restricted	3,447,921	1,606,953	1,840,968
Unrestricted	(1,871,582)	(2,154,633)	283,051
Total Net Position	$ 30,879,893	$ 29,606,500	$ 1,273,393

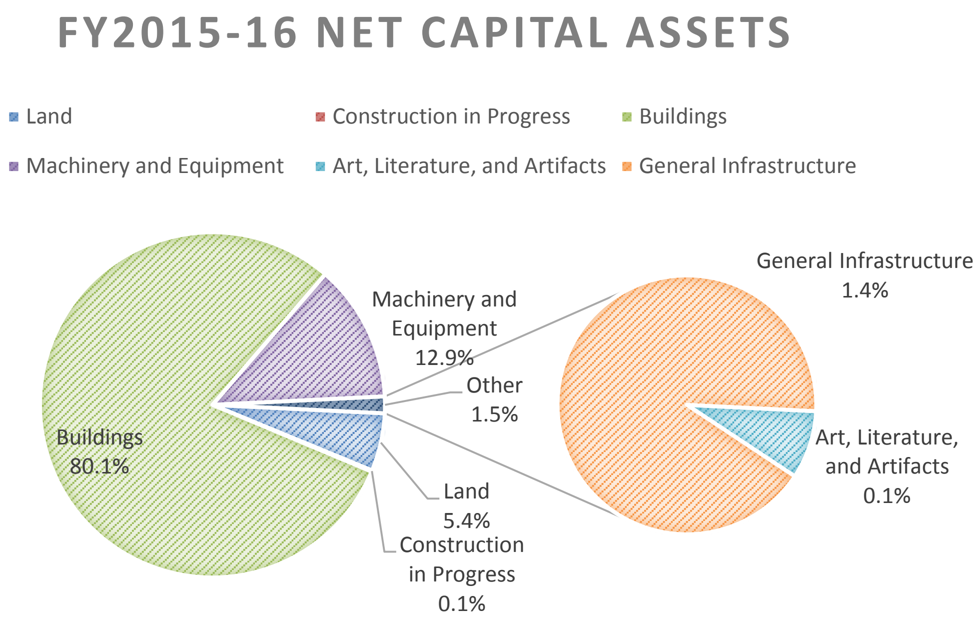
This condensed Statement of Net Position reflects the financial position of the College. Net position, which represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, increased $1,273,393 from the previous fiscal year.

Assets

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

Current Assets - Current assets include cash, receivables, inventories, prepaid items, and notes receivable. Total current assets increased when compared to the prior fiscal year. The increase is due to an increase in current receivables and a decrease in cash and cash equivalents. Unrestricted cash and cash equivalents decreased due to payment for completed projects during fiscal year 2016, including the Sink Building roof liner project. Current receivables include an amount to accrue grant income from the Golden LEAF Foundation to be received during fiscal year 2017 to be used to equip healthcare training facilities at the new Health Sciences Center and to equip the Southeastern Advanced Molding Technology Education Center (SAMTEC). The accrual of grant income accounts for the majority of the change in current assets over the prior year.

Noncurrent Assets - Noncurrent assets include cash and capital assets (land, construction in progress, buildings, general infrastructure, art, and machinery and equipment).



The increase in noncurrent restricted cash and cash equivalents is due to unspent county appropriations set aside for future projects that had not been started or completed as of June 30, 2016. The decrease in capital assets is due to depreciation expense on assets still in service during fiscal year 2016 exceeding the acquisition cost of capital asset additions.

Refer to Note 6 of the notes to the financial statements for a detail of the changes in capital assets by category.

Deferred Outflows of Resources

Deferred outflows of resources totaled $1,028,052 for fiscal year 2016 and represents pension contributions subsequent to the measurement date and the change in proportion and differences between the College's contributions and proportionate share of pension contributions. See Note 12 to the financial statements for more details.

Liabilities

The College's debt agreements are divided between current liabilities payable within twelve months and noncurrent liabilities that extend beyond a year. Long-term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year, calculated at the current salary rates for each employee, consistent with the institution's leave policies. Also included in long-term liabilities is net pension liability, which represents the College's proportionate share of the collective net pension liability of the Teachers' and State Employees' Retirement System (TSERS).

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

Current Liabilities - The decrease in current liabilities is due to the accrual of a progress billing for materials received on the Sink Building roof repair and renovation project prior to June 30, 2015. This project was completed during fiscal year 2016.

Noncurrent Liabilities - The increase in noncurrent liabilities is due to an increase of the net pension liability due to a decline in the state retirement system's investment income during fiscal year 2016. The net pension liability is the College's portion of the present value of projected benefit payments to be provided through the pension plan. Accrual and disclosure of net pension liability, including deferred outflows and inflows of resources and pension expense is required under GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB State No. 27*, which became effective beginning fiscal year 2015.

Deferred Inflows of Resources

Deferred inflows of resources totaled $535,186 and represents the difference between actual and expected experience for pensions and the net difference between projected and actual earnings on pension plan investments. The decrease from the prior fiscal year is primarily due to differences between actuarial calculations of the projected investment earnings and actual earnings of funds invested in the Teachers' and State Employees' Retirement System. See Note 12 to the financial statements for further detail.

Net Position

Net position is a measure of all the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The net position of the College was $30,879,893 at June 30, 2016, which was an increase of $1,273,393 during fiscal year 2016.

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

Investment in Capital Assets - Investment in capital assets represent the College's capital assets net of accumulated depreciation. The decrease of $850,626 is the net result of additions to machinery and equipment of $485,682, retirements of machinery and equipment of $182,848, increases to construction in progress of $111,939, and a net increase in accumulated depreciation of $1,265,399.

Restricted – Nonexpendable - Nonexpendable restricted net position includes an endowment whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity. There was no change in restricted nonexpendable net position during fiscal year 2016.

Restricted – Expendable - Expendable restricted net position includes resources in which the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties. Restricted net position – expendable increased by $1,840,968 in fiscal year 2016. The significant increase is due to the accrual of grant income from the Golden LEAF Foundation to be received during fiscal year 2017 to be used to equip healthcare training facilities at the new Health Sciences Center and to equip the Southeastern Advance Molding Technology Education Center (SAMTEC).

Unrestricted – Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income. During fiscal year 2016, unrestricted net position increased $283,051. The increase is largely due to an increase in state aid during 2016.

Statement of Revenues, Expenses, and Changes in Net Position

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

	2016	2015	Increase / (Decrease)
Operating Revenues			
Student Tuition and Fees, Net	$ 1,883,324	$ 2,071,027	$ (187,703)
State and Local Grants and Contracts	300,071	281,133	18,938
Nongovernmental Grants and Contract	10,000		10,000
Sales and Services, Net	215,669	253,202	(37,533)
Other Operating Revenues	261,605	195,191	66,414
Total Operating Revenues	2,670,669	2,800,553	(129,884)
Operating Expenses			
Salaries and Benefits	14,921,730	14,614,545	307,185
Supplies and Materials	1,169,630	1,312,644	(143,014)
Services	2,830,133	2,310,411	519,722
Scholarships and Fellowships	2,615,352	2,980,094	(364,742)
Utilities	516,856	509,478	7,378
Depreciation	1,368,329	1,399,465	(31,136)
Total Operating Expenses	23,422,030	23,126,637	295,393
Operating Loss	(20,751,361)	(20,326,084)	(425,277)
Nonoperating Revenues (Expenses)			
State Aid	11,196,379	11,024,651	171,728
County Appropriations	2,621,507	2,493,841	127,666
Noncapital Grants - Student Financial Aid	3,506,632	4,120,887	(614,255)
Noncapital Grants	2,370,164	602,057	1,768,107
Noncapital Gifts	456,765	373,923	82,842
Investment Income	12,250	5,399	6,851
Other Nonoperating Revenues (Expenses)	25,275	(103,498)	128,773
Net Nonoperating Revenues	20,188,972	18,517,260	1,671,712
Loss Before Other Revenues	(562,389)	(1,808,824)	1,246,435
State Capital Aid	484,087	340,571	143,516
County Capital Aid	1,216,425	1,046,250	170,175
Capital Gifts	135,270	374,385	(239,115)
Total Other Revenues	1,835,782	1,761,206	74,576
Increase (Decrease) in Net Position	1,273,393	(47,618)	1,321,011
Net Position			
Net Position - Beginning of the Year	29,606,500	29,654,118	(47,618)
Net Position - End of the Year	$ 30,879,893	$ 29,606,500	$ 1,273,393
Reconcilation of Change in Net Position			
Total Revenues	$ 24,695,423	$ 23,182,517	$ 1,512,906
Less: Total Expenses	23,422,030	23,230,135	191,895
Increase in Net Position	$ 1,273,393	$ (47,618)	$ 1,321,011

Total Revenues and Expenses

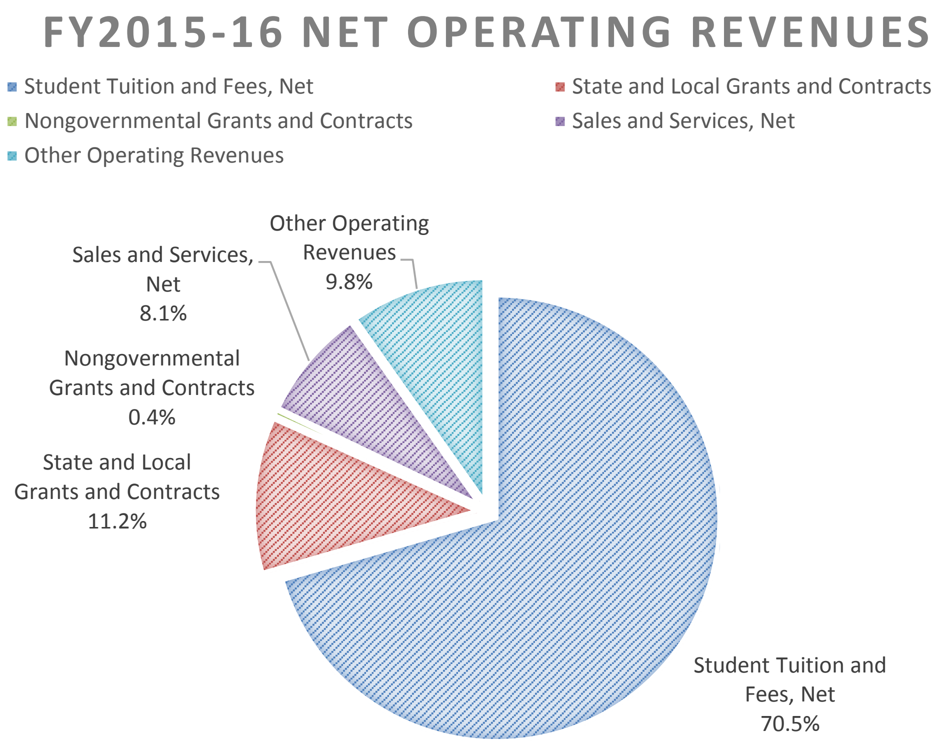
The College's total revenues are classified as operating, nonoperating, and capital contributions. Total expenses are classified as either operating or nonoperating. Total revenues increased more than total expenses increased.

Revenues

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

Although in-state, part-time student tuition rates increased over the prior year, a decline in overall enrollment produced a decrease in tuition and fees revenue. Other operating revenues increased over the prior year due to an increase in curriculum and continuing education specific fees revenue as well as the receipt of additional grant funds used to provide academic, vocational training, and workforce development opportunities.

Refer to Note 10 in the notes to the financial statements for a detail of sales and services revenues.



Nonoperating Revenues

Nonoperating revenues comprise the major portion of the College's income and include formula allocations from the North Carolina State Board of Community Colleges (NCCCS) for current expenses, equipment, and capital improvements. Also included are funds appropriated by the Henderson County and Transylvania County Boards of Commissioners, and various other operating revenues deposited into institutional funds.

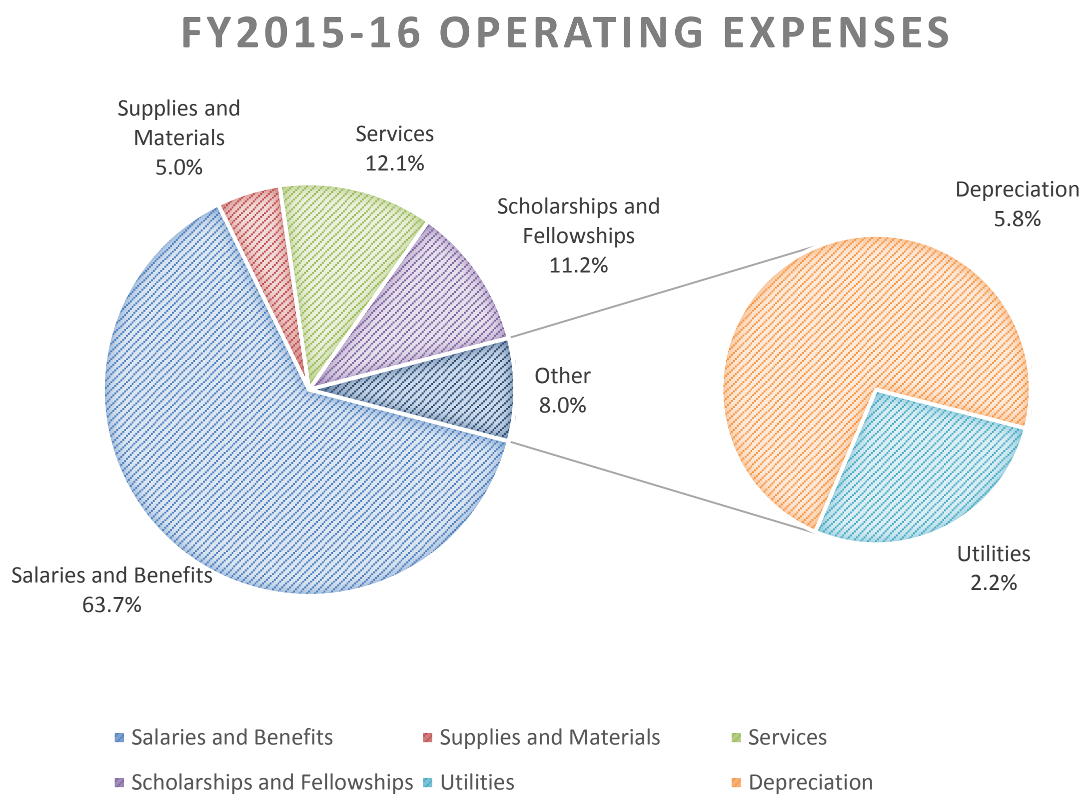
The decrease in noncapital grants for student financial aid is primarily due to the decline in overall enrollment which decreased both tuition and fees and related financial aid. The increase in noncapital grants is due the accrual of grant revenue from the Golden LEAF Foundation to be received during fiscal year 2017 to be used to equip healthcare training facilities at the new Health Sciences Center and to equip the SAMTEC. Noncapital gifts increased due to an increase in donations from the Foundation. The increase in other nonoperating revenues is attributable to income from the Disney Institute Seminar on Business Excellence hosted by the College.

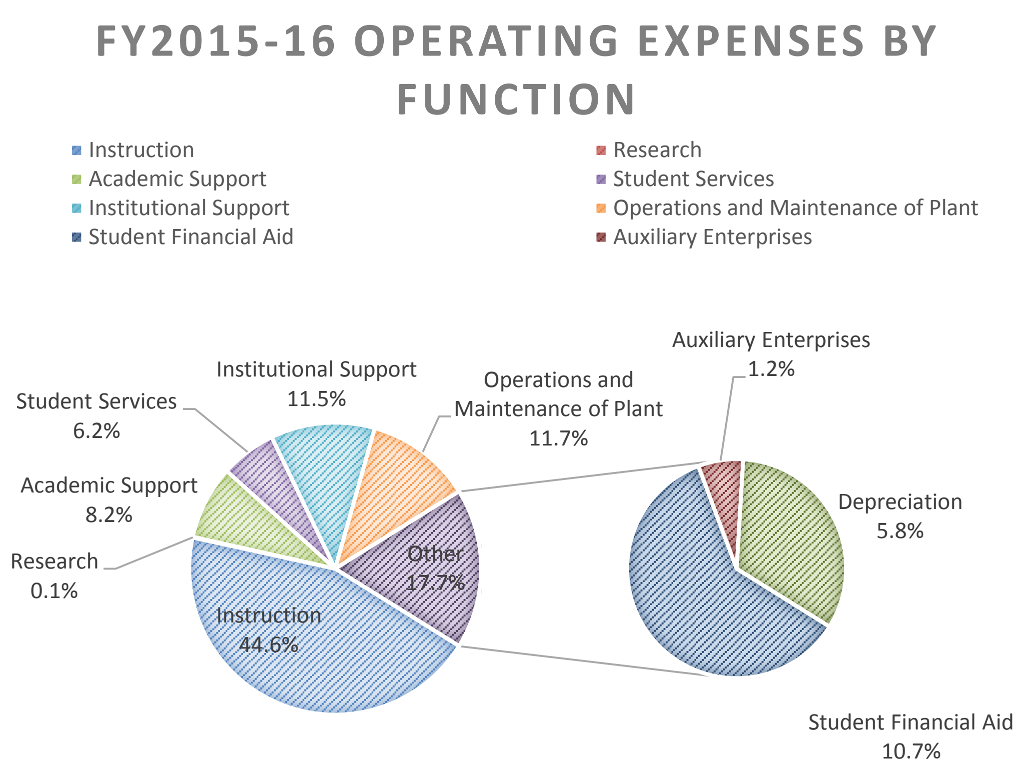
Operating Expenses

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

The increase in salaries and benefits is in part due to the implementation of a new salary plan during fiscal year 2016. The Blue Ridge Community College Staff Plan was developed and implemented to determine the relative value of one job to another within the College (internal equity) as well as establish external "market" equity with other comparable jobs in the recruiting area outside of the College. The faculty salary plan is based on educational level and number of years' experience at the College.

The decrease in supplies and materials was primarily a result of increased spending for various maintenance projects during fiscal year 2015 which did not continue into fiscal year 2016. Services expenses increased during the year as a result of expenses related to the Disney Institute Seminar on Business Excellence hosted by the College, expenses related to programs supported by grant funds, and various expenses related to several noncapital projects completed during the fiscal year, including the Sink Building roof liner. Scholarships and fellowship expense decreased due to a decline in student enrollment, which decreased the Federal Pell Grants awarded during fiscal year 2016.


FY2015-16 OPERATING EXPENSES
Supplies and Materials 5.0%
Services 12.1%
Scholarships and Fellowships 11.2%
Other 8.0%
Salaries and Benefits 63.7%
Depreciation 5.8%
Utilities 2.2%
Salaries and Benefits
Supplies and Materials
Services
Scholarships and Fellowships
Utilities
Depreciation


FY2015-16 OPERATING EXPENSES BY FUNCTION
Instruction
Research
Academic Support
Student Services
Institutional Support
Operations and Maintenance of Plant
Student Financial Aid
Auxiliary Enterprises
Student Services 6.2%
Institutional Support 11.5%
Operations and Maintenance of Plant 11.7%
Auxiliary Enterprises 1.2%
Academic Support 8.2%
Research 0.1%
Other 17.7%
Instruction 44.6%
Depreciation 5.8%
Student Financial Aid 10.7%

Capital Contributions

Capital contributions are received from appropriations from Henderson and Transylvania counties, private donations, and the NCCCS under a formula allocation for educational equipment and library books.

State and county capital aid increased during the fiscal year due to an increase in projects at the College, such as the Sink Building roof liner. The College's budget is approved on an annual basis by the Board of Trustees. The Board of Trustees authorizes the President of the College the authority to modify the budget amounts including transfers from one function to another within the limitations set forth by the respective funding authority. The variance in capital gifts is due to a decrease in items donated by the Foundation.

Future Capital Asset Activity

The College will use Connect NC bond funding for a number of capital projects. The College will renovate the Sink Building to include Phase I of a One Stop Welcome Center for all students. The Arts & Sciences Building science labs will be expanded to meet the needs of the students. An addition will be added to the Spearman Building to expand the automotive technology programs. Also, the College will renovate the Strauss Building at the Transylvania County Campus.

Economic Outlook

Leading global companies view Henderson County as a desirable employment location. Henderson County's unemployment rate for 2015 and the first half of 2016 is lower than both the state and national averages. Businesses are drawn to Transylvania County for its natural resources and access to an industrious, reliable work-force. Transylvania County's unemployment rate for 2015 and the first half of 2016 is slightly lower than the state average and slightly higher than the national average. During these cycles of low unemployment rates, the College experiences declining enrollment as students return to work.

Anticipating the decreased funding associated with the overall enrollment decline, the College continues to collaborate and partner with entities to lessen the effects on the College's budget. The College partnered with Wingate University, Pardee Hospital, Henderson County, and the City of Hendersonville to build a state-of-the-art science facility and cancer center where students have the opportunity to train for jobs in the growing health industry in Western North Carolina. The College received a grant from the Golden LEAF Foundation to equip the high simulation laboratories in the Health Sciences Center with classes starting August of 2016.

Georg Fischer (GF), a German based metal forging manufacturer, and Linamar, a Canadian metal machining manufacturer, have entered into a joint adventure agreement to provide integrated casting and machining solutions to the automotive and industrial sectors. A new jointly owned facility specializing in high pressure die casting manufacturing will be built in Henderson County with a capital investment of $217 million. The joint venture will add 350 jobs to the region over the next five years with 201 within the first three years. GF Linamar has developed a strong partnership with the College and is assisting the College with establishment of the SAMTEC. SAMTEC will be aligned to provide high quality workforce training needed for GF Linamar as well as many other industries in the service area. The College will receive donations from Buhler, ABB, and GF Linamar and a grant from the Golden LEAF Foundation to equip SAMTEC.

The College continues to partner with the Henderson County Public School System. A new innovative high school will be built on the Henderson County Campus with an expected completion date of September 2017. Students will attend high school on the Flat Rock campus while taking college classes at the College. The goal is for its students to graduate with a high school diploma and two years of college transferable credit or an Associate's degree in five years.

FINANCIAL STATEMENTS

Blue Ridge Community College
Statement of Net Position — *Exhibit A-1*
June 30, 2016 — *Page 1 of 2*

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	844,828
Restricted Cash and Cash Equivalents		244,385
Receivables, Net (Note 5)		174,941
Due from State of North Carolina Component Units		1,637,500
Inventories		74,557
Prepaid Items		235,693
Notes Receivable, Net (Note 5)		1,655
Total Current Assets		3,213,559
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		1,539,544
Capital Assets - Nondepreciable (Note 6)		1,622,710
Capital Assets - Depreciable, Net (Note 6)		27,680,844
Total Noncurrent Assets		30,843,098
Total Assets		34,056,657
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		1,028,052
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 7)		447,903
Due to State of North Carolina Component Units		3,378
Unearned Revenue		206,115
Funds Held for Others		35,520
Long-Term Liabilities - Current Portion (Note 8)		111,559
Total Current Liabilities		804,475
Noncurrent Liabilities:		
Long-Term Liabilities (Note 8)		2,865,155
Total Liabilities		3,669,630
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		535,186

NET POSITION

Investment in Capital Assets		29,303,554
Restricted for:		
Nonexpendable:		
Loans		1,500
Expendable:		
Scholarships and Fellowships		173,619
Loans		26,688
Capital Projects		1,537,979
Restricted for Specific Programs		1,708,135
Unrestricted		(1,871,582)
Total Net Position	$	30,879,893

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

Blue Ridge Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016 ***Exhibit A-2***

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 10)	$	1,883,324
State and Local Grants and Contracts		300,071
Nongovernmental Grants and Contracts		10,000
Sales and Services, Net (Note 10)		215,669
Other Operating Revenues		261,605
Total Operating Revenues		2,670,669
EXPENSES		
Operating Expenses:		
Salaries and Benefits		14,921,730
Supplies and Materials		1,169,630
Services		2,830,133
Scholarships and Fellowships		2,615,352
Utilities		516,856
Depreciation		1,368,329
Total Operating Expenses		23,422,030
Operating Loss		(20,751,361)
NONOPERATING REVENUES		
State Aid		11,196,379
County Appropriations		2,621,507
Noncapital Grants - Student Financial Aid		3,506,632
Noncapital Grants		2,370,164
Noncapital Gifts		456,765
Investment Income		12,250
Other Nonoperating Revenues		25,275
Total Nonoperating Revenues		20,188,972
Loss Before Other Revenues		(562,389)
State Capital Aid		484,087
County Capital Aid		1,216,425
Capital Gifts		135,270
Increase in Net Position		1,273,393
NET POSITION		
Net Position, July 1, 2015		29,606,500
Net Position, June 30, 2016	$	30,879,893

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

Blue Ridge Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	2,629,920
Payments to Employees and Fringe Benefits		(15,554,557)
Payments to Vendors and Suppliers		(4,687,569)
Payments for Scholarships and Fellowships		(2,498,054)
Loans Issued to Students		(5,639)
Collection of Loans to Students		7,000
Other Receipts		82,696
Net Cash Used by Operating Activities		(20,026,203)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		11,196,379
County Appropriations		2,621,507
Noncapital Grants - Student Financial Aid		3,506,632
Noncapital Grants		731,009
Noncapital Gifts		456,765
William D. Ford Direct Lending Receipts		2,684,730
William D. Ford Direct Lending Disbursements		(2,684,730)
Net Cash Provided by Noncapital Financing Activities		18,512,292
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		484,087
County Capital Aid		1,216,425
Capital Gifts		4,563
Proceeds from Sale of Capital Assets		4,266
Proceeds from Insurance on Capital Assets		17,887
Acquisition and Construction of Capital Assets		(466,913)
Net Cash Provided by Capital and Related Financing Activities		1,260,315
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		12,250
Net Decrease in Cash and Cash Equivalents		(241,346)
Cash and Cash Equivalents, July 1, 2015		2,870,103
Cash and Cash Equivalents, June 30, 2016	$	2,628,757

Blue Ridge Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(20,751,361)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		1,368,329
Provision for Uncollectible Loans and Write-Offs		(677)
Pension Expense		257,628
Miscellaneous Pension Adjustments		966
Nonoperating Other Income		83,039
Changes in Assets, Liabilities, and Deferred Outflows of Resources:		
Receivables, Net		110,509
Inventories		15,651
Prepaid Items		13,588
Notes Receivable, Net		1,361
Accounts Payable and Accrued Liabilities		(197,839)
Due to Primary Government		(1,175)
Due to State of North Carolina Component Units		3,378
Unearned Revenue		(33,960)
Funds Held for Others		(343)
Deferred Outflows for Contributions Subsequent to the Measurement Date		(899,731)
Compensated Absences		4,434
Net Cash Used by Operating Activities	$	(20,026,203)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	844,828
Restricted Cash and Cash Equivalents		244,385
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		1,539,544
Total Cash and Cash Equivalents - June 30, 2016	$	2,628,757

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through a Gift	130,707
Increase in Receivables Related to Nonoperating Income	1,639,155
Loss on Disposal of Capital Assets	(75,652)

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

Blue Ridge Community College Educational Foundation, Inc.
Statement of Financial Position
June 30, 2016 *Exhibit B-1*

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	533,708
Promises to Give		29,862
Other Receivables		9,695
Asset Available-For-Sale		15,685
Total Current Assets		588,950
Investments		9,843,480
Total Assets	$	10,432,430
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$	500
Net Assets:		
Unrestricted		
Undesignated		741,489
Board-Designated		5,993
Total Unrestricted		747,482
Temporarily Restricted		1,888,128
Permanently Restricted		7,796,320
Total Net Assets		10,431,930
Total Liabilities and Net Assets	$	10,432,430

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

Blue Ridge Community College Educational Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2016 *Exhibit B-2*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUES				
Contributions	$ 228,905	$ 188,940	$ 273,166	$ 691,011
Interest and Dividends	22,521	94,607		117,128
Net Realized and Unrealized Losses on Investments	(52,928)	(227,810)		(280,738)
Transfers	10,306	48,084	(58,390)	
Other	74	5,452		5,526
Net Assets Released from Restrictions	611,190	(611,190)		
Total Public Support and Revenues	820,068	(501,917)	214,776	532,927
EXPENSES				
Program Services				
Scholarship Awards	388,571			388,571
Other Student Financial Assistance	6,971			6,971
Other Awards	370,006			370,006
Total Program Services	765,548			765,548
Supporting Services	140,022			140,022
Total Expenses	905,570			905,570
Increase (Decrease) in Net Assets	(85,502)	(501,917)	214,776	(372,643)
Net Assets at Beginning of Year	832,984	2,390,045	7,581,544	10,804,573
Net Assets at End of Year	$ 747,482	$ 1,888,128	$ 7,796,320	$ 10,431,930

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. See below for further discussion of the College's component unit.

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

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 15 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2016, the Foundation distributed $598,521 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation by calling 828-694-1710.

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

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

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

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

D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The College's equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 3.

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

F. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.

G. **Capital Assets** - Capital assets are stated at cost at date of acquisition or 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:

Asset Class	Estimated Useful Life
Buildings	10-100 years
Machinery & Equipment	2-30 years
Art, Literature, & Artifacts	10-25 years
General Infrastructure	10-75 years

The outdoor sculpture collection, acquired prior to July 1, 2015, is capitalized at fair value at the date of donation. The collection is depreciated over the life of the collection using the straight-line method. The estimated useful life for the collection is 25 years.

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

I. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include net pension liability and compensated absences that will not be paid within the next fiscal year.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 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 12 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

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

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

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

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

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

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

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

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

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

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

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

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

N. **Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as printing and copy services. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the

Statement of Net Position as cash and cash equivalents includes cash on hand totaling $2,050, and deposits in private financial institutions with a carrying value of $1,291,541 and a bank balance of $1,557,937.

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 $1,335,166 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.

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

At June 30, 2016		Amount
Cash and Money Market Funds	$	519,332
Equity Securities		5,742,884
Mutual Funds		806,579
Alternative Investments		477,919
Government Bonds		825,072
Corporate Bonds		961,957
Mortgage Backed Securities		509,737
Total Investments	$	9,843,480

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 $1,335,166 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 - Investment accounts consists of various financial instruments that are recorded to fair value based on current quoted market prices provided by investment custodians or other valuation methods. The fair value of each financial instrument in the table below was measured using FASB ASC 820 input guidance and valuation techniques.

The following table sets forth carrying amounts and estimated fair values for financial instruments:

		Fair Value Measurement Using		
	Fair Value	Level 1	Level 2	Level 3
Cash and Money Market Funds	$ 519,332	$ 519,332	$ 0	$ 0
Equity Securities	5,742,884	5,742,884		
Mutual Funds	806,579	806,579		
Alternative Investments	477,919			477,919
Government Bonds	825,072		825,072	
Corporate Bonds	961,957		961,957	
Mortgage Backed Securities	509,737		509,737	
Total Investment by Fair Value Level	$ 9,843,480	$ 7,068,795	$ 2,296,766	$ 477,919

A reconciliation of changes in Level 3 inputs is as follows:

Year Ended June 30, 2016	Total
Level 3 Inputs, Beginning of Year	$ 0.00
Purchases	500,000.00
Unrealized Losses	(22,081.00)
Level 3 Inputs, End of Year	$ 477,919.00

NOTE 4 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with state agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2016, net appreciation of $1,277 was available to be spent, which was classified in net position as restricted expendable for specific purposes.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2016, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 328,933	$ 225,589	$ 103,344
Student Sponsors	10,849	6,084	4,765
Intergovernmental	66,832		66,832
Total Current Receivables	$ 406,614	$ 231,673	$ 174,941
Current Notes Receivable:			
Institutional Student Loan Programs	$ 3,769	$ 2,114	$ 1,655

NOTE 6 - 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	$ 1,590,269	$ 0	$ 0	$ 1,590,269
Construction in Progress		111,939	79,498	32,441
Total Capital Assets, Nondepreciable	1,590,269	111,939	79,498	1,622,710
Capital Assets, Depreciable:				
Buildings	39,985,875	79,498		40,065,373
Machinery and Equipment	7,253,580	485,682	182,848	7,556,414
Art, Literature, and Artifacts	55,000			55,000
General Infrastructure	1,307,388			1,307,388
Total Capital Assets, Depreciable	48,601,843	565,180	182,848	48,984,175
Less Accumulated Depreciation for:				
Buildings	15,695,291	919,906		16,615,197
Machinery and Equipment	3,475,889	410,370	102,930	3,783,329
Art, Literature, and Artifacts	13,783	2,200		15,983
General Infrastructure	852,969	35,853		888,822
Total Accumulated Depreciation	20,037,932	1,368,329	102,930	21,303,331
Total Capital Assets, Depreciable, Net	28,563,911	(803,149)	79,918	27,680,844
Capital Assets, Net	$ 30,154,180	$ (691,210)	$ 159,416	$ 29,303,554

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 135,003
Accrued Payroll	310,750
Other	2,150
Total Current Accounts Payable and Accrued Liabilities	$ 447,903

NOTE 8 - LONG-TERM LIABILITIES

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Net Pension Liability	$ 749,412	$ 1,514,774	$ 0	$ 2,264,186	$ 0
Compensated Absences	708,094	443,809	439,375	712,528	111,559
Total Long-Term Liabilities	$ 1,457,506	$ 1,958,583	$ 439,375	$ 2,976,714	$ 111,559

Additional information regarding the net pension liability is included in Note 12.

NOTE 9 - OPERATING LEASE OBLIGATIONS

Rental expense for all operating leases during the year was $57,848. The College has no noncancelable operating leases requiring disclosure.

NOTE 10 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees, Net	$ 3,402,187	$ 0	$ 1,375,861	$ 143,002	$ 1,883,324
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	$ 91,383	$ 0	$ 0	$ 0	$ 91,383
Print Shop	144,768	144,768			
Rent	54,700				54,700
Other	12,831				12,831
Sales and Services of Education and Related Activities	56,755				56,755
Total Sales and Services, Net	$ 360,437	$ 144,768	$ 0	$ 0	$ 215,669

NOTE 11 - 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	$ 8,989,979	$ 603,061	$ 759,612	$ 81,736	$ 0	$ 0	$ 10,434,388
Research	17,656						17,656
Academic Support	1,794,539	77,272	39,712				1,911,523
Student Services	1,164,638	13,448	248,637	20,718			1,447,441
Institutional Support	2,044,115	142,959	515,287	46			2,702,407
Operations and Maintenance of Plant	724,041	312,448	1,198,124		516,856		2,751,469
Student Financial Aid				2,512,317			2,512,317
Auxiliary Enterprises	186,762	20,442	68,761	535			276,500
Depreciation						1,368,329	1,368,329
Total Operating Expenses	$ 14,921,730	$ 1,169,630	$ 2,830,133	$ 2,615,352	$ 516,856	$ 1,368,329	$ 23,422,030

NOTE 12 - 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 $899,731, and employee contributions were $589,988 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 $2,264,186 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 .06144%, which was a decrease of .00248 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:

Asset Class	Long-Term Expected Real Rate of Return
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:

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 6,814,574	$ 2,264,186	$ (1,597,344)

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 $257,628. 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	$ 257,438
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		245,305
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	128,321	32,443
Contributions Subsequent to the Measurement Date	899,731	
Total	$ 1,028,052	$ 535,186

The amount of $899,731 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	$ (257,806)
2018	(257,806)
2019	(258,159)
2020	366,906
Total	$ (406,865)

NOTE 13 - 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 $550,655, $521,588, and $516,280, 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 $40,316, $38,953, and $42,067, 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 14 - 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. Employee dishonesty insurance for employees who are paid from non-state funds is purchased from a private insurance company with coverage of $75,000 per occurrence with a $500 deductible.

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the College

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

NOTE 15 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. There were no outstanding commitments on construction contracts or other purchases at June 30, 2016.

NOTE 16 - 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. 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.

REQUIRED SUPPLEMENTARY INFORMATION

Blue Ridge 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***

	2015	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	0.06144%	0.06392%	0.06170%
Proportionate Share of TSERS Collective Net Pension Liability	$ 2,264,186	$ 749,412	$ 3,745,819
Covered-Employee Payroll	$ 9,500,692	$ 9,560,738	$ 9,387,356
Net Pension Liability as a Percentage of Covered-Employee Payroll	23.83%	7.84%	39.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%

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

Exhibit C-2

	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 899,731	$ 869,313	$ 830,828	$ 781,967	$ 676,561
Contributions in Relation to the Contractually Determined Contribution	899,731	869,313	830,828	781,967	676,561
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered-Employee Payroll	$ 9,833,125	$ 9,500,692	$ 9,560,738	$ 9,387,356	$ 9,093,558
Contributions as a Percentage of Covered-Employee Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

	2011	2010	2009	2008	2007
Contractually Required Contribution	$ 439,113	$ 302,662	$ 282,267	$ 254,694	$ 225,273
Contributions in Relation to the Contractually Determined Contribution	439,113	302,662	282,267	254,694	225,273
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered-Employee Payroll	$ 8,906,962	$ 8,477,922	$ 8,400,807	$ 8,350,621	$ 8,468,926
Contributions as a Percentage of Covered-Employee Payroll	4.93%	3.57%	3.36%	3.05%	2.66%

Blue Ridge 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:

Cost of Living Increase

2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Blue Ridge Community College (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 March 9, 2017. Our report includes a reference to other auditors who audited the financial statements of Blue Ridge Community College Educational Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Blue Ridge Community College Educational Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Blue Ridge Community College Educational Foundation, Inc.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 9, 2017

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

This audit required 282.5 audit hours at an approximate cost of $29,098.