

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

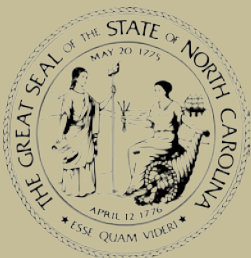
BETH A. WOOD, CPA



## COASTAL CAROLINA COMMUNITY COLLEGE

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

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



**NC OSA**  
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

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## **AUDITOR'S TRANSMITTAL**

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

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

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

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

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

Beth A. Wood, CPA  
State Auditor



Beth A. Wood, CPA  
State Auditor

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



# **INDEPENDENT AUDITOR'S REPORT**

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

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## **INDEPENDENT AUDITOR'S REPORT**

---

Board of Trustees  
Coastal Carolina Community College  
Jacksonville, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of Coastal Carolina Community College (College), a component unit of the State of North Carolina, 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 Coastal Carolina Community College Foundation, Inc., which represent 9.98 percent, 11.16 percent, and .55 percent, respectively, of the assets, net position, and revenues of the College. 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 Coastal Carolina Community College 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.

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 opinion.

### Opinion

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 financial position of Coastal Carolina Community College, as of June 30, 2016, and the changes in financial position and 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 and other auditors 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 December 7, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

December 7, 2016



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Introduction

This section of Coastal Carolina Community College's Financial Statement Audit Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2016, with comparative data for the fiscal year ended June 30, 2015. Because Management's Discussion and Analysis is designed to focus on current activities, resulting change, and currently known facts, please read it in conjunction with the College's basic financial statements and notes to the financial statements. Responsibility for the completeness and fairness of this information rests with the College.

## Using this Annual Report

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public College and Universities*. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. They are prepared under the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recognized when an obligation has been incurred. Also, Coastal Carolina Community College blends one component unit as if it was part of the College. Note 1A provides detailed information on the College's financial reporting entity. In summary, the reporting format is intended to condense and simplify the user's analysis of costs of various college services to students and the public. The three statements are featured below with brief descriptions of each financial focus.

The Statement of Net Position includes all College assets, deferred outflows and inflows, and liabilities. The statement combines and consolidates current financial resources (short-term consumable resources) with capital assets. Over time, increases or decreases in net position are indicators of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of facilities.

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

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

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



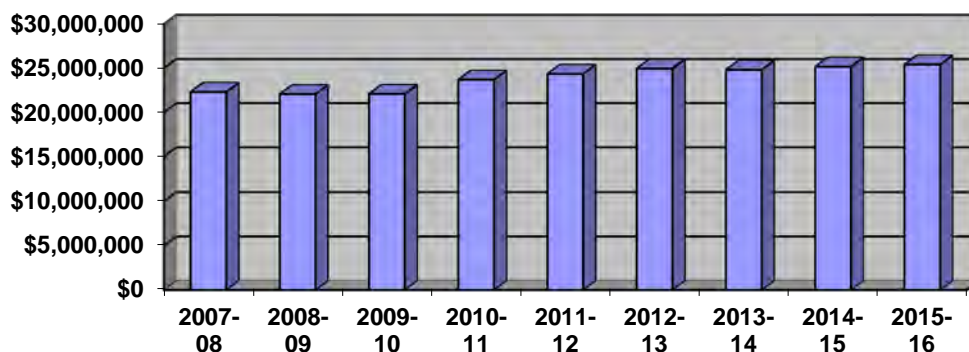
## Financial Highlights

The College continued design and construction work on capital projects, including the Instructional Support Services Building, cooling towers, and updated campus signage. The patio, curbing, and sidewalk capital project was completed during the fiscal year. New projects initiated during the year include the construction of a greenhouse and a new drainage, curb, and gutter project.

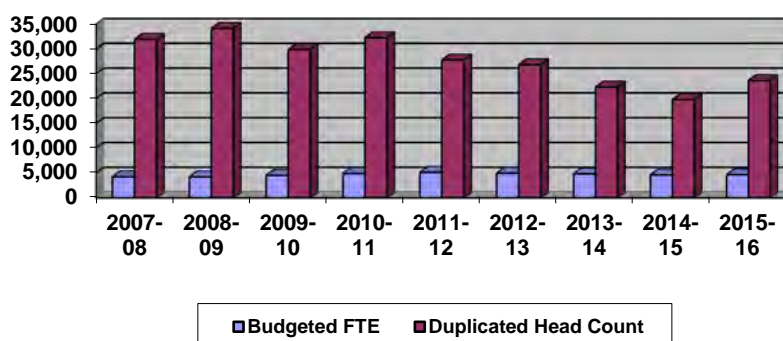
In response to a special provision of the North Carolina General Assembly, in 1999, the State Board of Community Colleges approved twelve performance measures and standards to enhance accountability in North Carolina Community Colleges. In 2010, President Scott Ralls established a Performance Measures Committee to develop new performance-based student success measures to go into effect in 2013. In November 2011, the State Board of Community Colleges formally approved eight performance measures, which were submitted to the General Assembly in March 2012, and adopted in June 2012, through Section 8.5 of S.L. 2102-142. The College met each standard and received a performance-based allocation in the amount of \$607,326. The College also had a carryforward allocation from fiscal year 2014-2015 in the amount of \$519,309.

Mandatory management flexibility funds were due back to the North Carolina Community College System Office in December 2015 in the amount of \$1,142,009. In addition to funding received from the State which was based on a full-time equivalent formula, funds are also provided by Onslow County for the operation, maintenance, and security of buildings and infrastructure. This funding also supports select capital projects.

### State Appropriations (Gross)



### Enrollment



## Financial Analysis

### Condensed Statement of Net Position

	June 30, 2016	June 30, 2015	Increase (Decrease)	Percent Change
Current Assets:	\$ 10,228,448.97	\$ 10,713,658.68	\$ (485,209.71)	-4.53%
Noncurrent Assets:				
Capital Assets, Net of Depreciation	38,469,383.60	35,964,907.19	2,504,476.41	6.96%
Other	4,085,886.98	4,034,148.06	51,738.92	1.28%
Total Assets	52,783,719.55	50,712,713.93	2,071,005.62	4.08%
Deferred Outflows Related to Pensions	1,420,930.00	1,301,828.00	119,102.00	9.15%
Current Liabilities	1,506,398.62	2,100,561.54	(594,162.92)	-28.29%
Noncurrent Liabilities	4,590,946.71	1,950,123.89	2,640,822.82	135.42%
Total Liabilities	6,097,345.33	4,050,685.43	2,046,659.90	50.53%
Deferred Inflows Related to Pensions	929,717.00	4,429,759.00	(3,500,042.00)	-79.01%
Net Position:				
Net Investment in Capital Assets	38,152,085.69	35,710,934.07	2,441,151.62	6.84%
Restricted for:				
Nonexpendable:				
Scholarships and Fellowships	3,395,998.18	3,287,496.63	108,501.55	3.30%
Expendable:				
Scholarships and Fellowships	398,903.00	254,175.00	144,728.00	56.94%
Capital Projects	518,689.47	372,292.94	146,396.53	39.32%
Restricted for Specific Programs	25,640.00	25,640.00		
Other	439,765.10	377,669.09	62,096.01	16.44%
Unrestricted	4,246,505.78	3,505,889.77	740,616.01	21.12%
Total Net Position	\$ 47,177,587.22	\$ 43,534,097.50	\$ 3,643,489.72	8.37%

### Analysis of Assets and Net Position

As of June 30, 2016, total assets increased by \$2,071,005.62, or 4.08%. Current assets remained substantially unchanged from the last fiscal year. Net capital assets represented the largest change and increased by \$2,504,476.41, or 6.96% due to an increase in construction in progress related to various projects that are discussed in the Analysis of Net Capital Assets section below. The College's total net position increased \$3,643,489.72, or 8.37% from the last fiscal year. The largest change was in net investment in capital assets which increased \$2,441,151.62, or 6.84% as a result of the net capital asset activity.

### Analysis of Liabilities

Other current liabilities decreased by \$542,806.90, or 27.90% due to the decrease in liabilities associated with construction and employee health benefits. Noncurrent long-term liabilities increased by 139.61% mainly due to the continued implementation of GASB Statement No. 68, which required the College to report their net pension liability as of June 30, 2016, in the amount of \$3,790,963.00 for its proportionate share of the collective net pension liability. The normal earning and use of leave caused leave balances to decrease and the liabilities related to compensated absences to do so proportionately.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Other Current Liabilities	\$ 1,402,679.12	\$ 1,945,486.02	\$ (542,806.90)	-27.90%
Long-Term Liabilities - Current Portion	103,719.50	155,075.52	(51,356.02)	-33.12%
Total Current Liabilities	<u>1,506,398.62</u>	<u>2,100,561.54</u>	<u>(594,162.92)</u>	-28.29%
Other Noncurrent Liabilities	20,232.07	42,535.10	(22,303.03)	-52.43%
Noncurrent Long-Term Liabilities	<u>4,570,714.64</u>	<u>1,907,588.79</u>	<u>2,663,125.85</u>	139.61%
Total Liabilities	<u>\$ 6,097,345.33</u>	<u>\$ 4,050,685.43</u>	<u>\$ 2,046,659.90</u>	50.53%

### Deferred Inflows Related to Pensions

Deferred inflows related to pensions decreased by 79.01%. The reduction is based on actuarial calculations. It is primarily the difference between projected investment earnings and actual earnings of funds invested in the Teachers' and State Employees' Retirement System.

### Analysis of Net Capital Assets

The schedule below defines the categories of the College's capital assets. Net capital assets increased by 6.96% during the year due to significant construction in progress additions related to the continued design and/or construction of the Instructional Support Services Building and cooling towers, as well as purchases of land.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Increase</u>	<u>Percent Change</u>
Capital Assets:				
Land and Permanent Easements	\$ 1,481,962.37	\$ 1,115,293.08	\$ 366,669.29	32.88%
Construction in Progress	6,895,560.01	4,935,208.79	1,960,351.22	39.72%
Buildings	30,022,513.85	28,969,059.62	1,053,454.23	3.64%
Machinery and Equipment	7,602,162.53	7,383,553.41	218,609.12	2.96%
General Infrastructure	<u>14,862,051.05</u>	<u>14,554,950.85</u>	<u>307,100.20</u>	2.11%
Total	60,864,249.81	56,958,065.75	3,906,184.06	6.86%
Less: Accumulated Depreciation	<u>(22,394,866.21)</u>	<u>(20,993,158.56)</u>	<u>1,401,707.65</u>	6.68%
Net Capital Assets	<u>\$ 38,469,383.60</u>	<u>\$ 35,964,907.19</u>	<u>\$ 2,504,476.41</u>	6.96%

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	June 30, 2016	June 30, 2015	Increase (Decrease)	Percent Change
<b>Operating Revenues</b>				
Student Tuition and Fees, Net	\$ 5,374,899.99	\$ 5,735,864.82	\$ (360,964.83)	-6.29%
Sales and Services and Other, Net	1,866,638.35	1,969,769.38	(103,131.03)	-5.24%
Total Operating Revenues	7,241,538.34	7,705,634.20	(464,095.86)	-6.02%
Less Operating Expenses	39,083,584.08	38,804,970.80	278,613.28	0.72%
Operating Loss	(31,842,045.74)	(31,099,336.60)	742,709.14	2.39%
<b>Nonoperating Revenues (Expenses):</b>				
State Aid	16,528,405.21	15,752,602.05	775,803.16	4.92%
County Appropriations	3,653,126.42	4,307,188.30	(654,061.88)	-15.19%
Noncapital Grants - Student Financial Aid	9,462,679.04	10,502,857.47	(1,040,178.43)	-9.90%
Noncapital Gifts and Grants	801,303.11	668,263.36	133,039.75	19.91%
Investment Loss, Net	(200,570.43)	(34,874.97)	(165,695.46)	475.11%
Other Nonoperating Expenses	(29,629.36)	(52,392.85)	22,763.49	-43.45%
Net Nonoperating Revenues	30,215,313.99	31,143,643.36	(928,329.37)	-2.98%
<b>Other Revenues:</b>				
State Capital Aid	405,169.29	828,216.31	(423,047.02)	-51.08%
County Capital Appropriations	4,691,119.85	4,998,913.43	(307,793.58)	-6.16%
Capital Gifts and Grants	81,404.33	36,861.51	44,542.82	120.84%
Additions to Endowments	92,528.00	86,246.00	6,282.00	7.28%
Total Revenues	42,957,273.59	44,886,782.63	(1,929,509.04)	-4.30%
Total Expenses	(39,313,783.87)	(38,892,238.62)	(421,545.25)	1.08%
Increase in Net Position	3,643,489.72	5,994,544.01	(2,351,054.29)	-39.22%
Net Position July 1	43,534,097.50	37,539,553.49	5,994,544.01	15.97%
Net Position June 30	\$ 47,177,587.22	\$ 43,534,097.50	\$ 3,643,489.72	8.37%

**Analysis of Revenues**

The College's total revenues decreased 4.30% as compared to the prior year. This was a result of decreases in operating revenues, nonoperating revenues and other revenues of \$464,095.86, \$785,397.40 and \$680,015.78, respectively. The decrease in operating revenues was due to the 9.89% decline in annualized full-time equivalent students during the year. Nonoperating revenues decreased in large part due to decreases in noncapital grants – student financial aid and county appropriations of \$1,040,178.43 and \$654,061.88 offset by an increase in state aid of \$775,803.16. The decrease in noncapital grants – student financial aid related directly to the decrease in enrollment during the year discussed above while county appropriations decreased as a result of the approved county commissioner's allocation of funds for fiscal year 2016. State aid increased as a result of a net increase in the base allotment and performance based allocation formulas. State capital aid and county capital appropriations decreased by \$423,047.02 and \$307,793.58 due to a decrease in significant capital projects during the year. Also, as a result of slow economic growth and considerable market volatility, investment losses increased by 475.11%. The College Foundation's diversified asset allocation continues to provide a long-term strategy intended to achieve established objectives.

**Analysis of Expenses**

The College experienced a .72% overall increase in operating expenses from the prior fiscal year. Scholarships and fellowships decreased by 10.46% due to decreased enrollment which relates directly to the amount of federal and state student financial aid the College receives and

disburses to or on behalf of students. Otherwise, expenditures were relatively consistent with the prior year.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Salaries and Benefits	\$ 23,255,771.32	\$ 22,927,654.18	\$ 328,117.14	1.43%
Supplies and Materials	5,195,141.38	4,853,738.83	341,402.55	7.03%
Services	2,843,577.72	2,797,462.26	46,115.46	1.65%
Scholarships and Fellowships	5,493,977.38	6,135,658.82	(641,681.44)	-10.46%
Utilities	760,292.76	736,953.86	23,338.90	3.17%
Depreciation	<u>1,534,823.52</u>	<u>1,353,502.85</u>	<u>181,320.67</u>	<u>13.40%</u>
Total Operating Expenditures	<u>\$ 39,083,584.08</u>	<u>\$ 38,804,970.80</u>	<u>\$ 278,613.28</u>	<u>0.72%</u>

### **Economic Forecast**

For the 2015-2016 fiscal year, approximately 39% of the College's total revenue was funded by the State of North Carolina and approximately 19% was funded by Onslow County. The College's funded FTE (full-time equivalent) enrollment increased slightly for the first time in years due to the implementation of summer semester funding by the North Carolina General Assembly. Occupational Extension and Basic Skills decreased by approximately 2% each.

Although student enrollment has incrementally decreased over the past six years, state funding has increased, in part, due to the aforementioned including of summer enrollment into the State's formula budget computation. In addition, the College has consistently realized additional performance funding. Continued declining enrollment may lead to future considerations including, but not limited to, a reduction in force and/or increased workloads.

In summary, this annual report is designed to provide our community, students, and donors with a general overview of the College's finances and to demonstrate the College's accountability for the funding it receives through grants, donations, and tuition revenues.



# FINANCIAL STATEMENTS

**Coastal Carolina Community College**  
**Statement of Net Position**  
**June 30, 2016**

**Exhibit A-1**  
**Page 1 of 2**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 5,982,208.74
Restricted Cash and Cash Equivalents	788,917.62
Short-Term Investments	1,164,719.00
Restricted Short-Term Investments	504,589.00
Receivables, Net (Note 5)	1,138,749.80
Inventories	346,242.30
Prepaid Items	303,022.51

Total Current Assets	<u>10,228,448.97</u>
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	88,619.27
Receivables (Note 5)	312,541.71
Restricted Due from Primary Government	90,000.00
Restricted Investments	3,374,086.00
Other Investments	220,640.00
Capital Assets - Nondepreciable (Note 6)	8,377,522.38
Capital Assets - Depreciable, Net (Note 6)	30,091,861.22

Total Noncurrent Assets	<u>42,555,270.58</u>
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Total Assets	<u>52,783,719.55</u>
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to Pensions	<u>1,420,930.00</u>
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**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	1,042,352.21
Unearned Revenue	295,753.50
Funds Held for Others	64,573.41
Long-Term Liabilities - Current Portion (Note 8)	103,719.50

Total Current Liabilities	<u>1,506,398.62</u>
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Noncurrent Liabilities:

Funds Held for Others	20,232.07
Long-Term Liabilities (Note 8)	4,570,714.64

Total Noncurrent Liabilities	<u>4,590,946.71</u>
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Total Liabilities	<u>6,097,345.33</u>
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pensions	<u>929,717.00</u>
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**Coastal Carolina Community College**  
**Statement of Net Position**  
**June 30, 2016**

**Exhibit A-1**  
**Page 2 of 2**

**NET POSITION**

Net Investment in Capital Assets	38,152,085.69
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	3,395,998.18
Expendable:	
Scholarships and Fellowships	398,903.00
Capital Projects	518,689.47
Restricted for Specific Programs	25,640.00
Other	439,765.10
Unrestricted	<u>4,246,505.78</u>
Total Net Position	<u><u>\$ 47,177,587.22</u></u>

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



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

**Exhibit A-2**

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net (Note 10)	\$ 5,374,899.99
Sales and Services, Net (Note 10)	1,724,979.23
Other Operating Revenues	141,659.12
Total Operating Revenues	7,241,538.34

**EXPENSES**

Operating Expenses:

Salaries and Benefits	23,255,771.32
Supplies and Materials	5,195,141.38
Services	2,843,577.72
Scholarships and Fellowships	5,493,977.38
Utilities	760,292.76
Depreciation	1,534,823.52

Total Operating Expenses 39,083,584.08

Operating Loss (31,842,045.74)

**NONOPERATING REVENUES (EXPENSES)**

State Aid	16,528,405.21
County Appropriations	3,653,126.42
Noncapital Grants - Student Financial Aid	9,462,679.04
Noncapital Grants	774,760.11
Noncapital Gifts	26,543.00
Investment Loss (Net of Investment Expense of \$22,455)	(200,570.43)
Other Nonoperating Expenses	(29,629.36)

Net Nonoperating Revenues 30,215,313.99

Loss Before Other Revenues (1,626,731.75)

State Capital Aid	405,169.29
County Capital Aid	4,691,119.85
Capital Grants	79,404.33
Capital Gifts	2,000.00
Additions to Endowments	92,528.00

Increase in Net Position 3,643,489.72

**NET POSITION**

Net Position, July 1, 2015	43,534,097.50
Net Position, June 30, 2016	\$ 47,177,587.22

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

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

**Exhibit A-3**  
**Page 1 of 2**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 7,448,591.08
Payments to Employees and Fringe Benefits	(24,312,071.06)
Payments to Vendors and Suppliers	(9,097,962.72)
Payments for Scholarships and Fellowships	(5,493,977.38)
Other Payments	(39,077.32)
Net Cash Used by Operating Activities	(31,494,497.40)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	16,528,405.21
County Appropriations	3,653,126.42
Noncapital Grants - Student Financial Aid	9,462,679.04
Noncapital Grants	769,445.02
Noncapital Gifts and Endowments	119,071.00
Cash Provided by Noncapital Financing Activities	30,532,726.69

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

State Capital Aid Received	405,169.29
County Capital Aid	4,920,382.16
Capital Grants	297,688.58
Capital Gifts	2,000.00
Acquisition and Construction of Capital Assets	(4,298,191.60)
Net Cash Provided by Capital and Related Financing Activities	1,327,048.43

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	4,096,592.00
Investment Income	225,987.57
Purchase of Investments and Related Fees	(4,296,665.00)
Net Cash Provided by Investing Activities	25,914.57

Net Increase in Cash and Cash Equivalents	391,192.29
Cash and Cash Equivalents, July 1, 2015	6,468,553.34
Cash and Cash Equivalents, June 30, 2016	\$ 6,859,745.63

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

**Exhibit A-3**  
**Page 2 of 2**

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

Operating Loss	\$ (31,842,045.74)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,534,823.52
Pension Expense	350,890.00
Miscellaneous Pension Adjustments	1,421.00
Changes in Assets and Liabilities:	
Receivables, Net	216,324.27
Inventories	(39,513.18)
Prepaid Items	(20,864.48)
Accounts Payable and Accrued Liabilities	(287,498.77)
Unearned Revenue	(10,789.89)
Funds Held for Others	(37,558.96)
Deferred Outflows for Contributions Subsequent to the Measurement Date	(1,373,899.00)
Compensated Absences	14,213.83
Net Cash Used by Operating Activities	<u>\$ (31,494,497.40)</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 5,982,208.74
Restricted Cash and Cash Equivalents	788,917.62
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>88,619.27</u>
Total Cash and Cash Equivalents - June 30, 2016	<u>\$ 6,859,745.63</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Change in Fair Value of Investments	\$ (426,558.00)
Loss on Disposal of Capital Assets	(29,629.36)



# 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. Coastal Carolina 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 blended in the College's financial statements. See below for further discussion of the College's component unit.

**Blended Component Unit** - Although legally separate, Coastal Carolina Community College Foundation, Inc. (Foundation) is reported as if it was part of the College. The Foundation is governed by a 24-member board consisting of two ex officio directors and 22 directors, approved by the Board of Trustees. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the directors of the Foundation are appointed by the members of the Coastal Carolina Community College Board of Trustees and the Foundation's sole purpose is to benefit Coastal Carolina Community College, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the College Controller's Office, 444 Western Blvd, Jacksonville, NC 28546, or by calling 910-938-6218. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

Condensed combining information regarding blended component units is provided in Note 16.

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

Pursuant to the provisions of GASB Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35 - *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, the full scope of the College's activities

is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

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

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

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

- E. Investments** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net decrease in the fair value of investments is recognized as a component of investment income.

Real estate not held by a governmental external investment pool, and other asset holdings are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.

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

- G. Inventories** - Inventories, consisting of expendable supplies and merchandise for resale, are valued at cost using first-in, first-out method.

- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the

date of donation. The value of assets constructed includes all material direct and indirect construction costs.

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. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	40-100 years
Machinery & Equipment	5-25 years
General Infrastructure	15-75 years

- I. **Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources whose use is limited by external parties or statute, and endowment and other restricted investments.
- J. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include net pension liability and compensated absences that will not be paid within the next fiscal year.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2015 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 12 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

- K. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 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 December 31 plus the leave earned, less the leave taken between January 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 December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

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

**Net Investment in Capital Assets** - This represents the College's total investment in capital assets, net of outstanding liabilities related to those 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.

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



nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

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

- O. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as The College Store and Coastal Café. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. 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.
- P. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use as approved by the county commissioners.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

- A. Deposits** – The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2016 was \$9,660.00. The carrying amount of the College's deposits not with the State Treasurer was \$3,381,763.65, and the bank balance was \$5,826,254.94.

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.

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

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

fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2016, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$3,468,321.98, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 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 by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to G.S. 147-69.2. This statute authorizes investments for special funds held by the State Treasurer and includes the following investments: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities, bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments and obligations of certain entities with specified ratings.

Investments of the College's 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.

The following table presents the investments by type and investments subject to interest rate risk at June 30, 2016, for the College's investments. Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the value of investments. The College does not have a formal investment policy that addresses interest rate risk.

### Investments

Investment Type	Amount	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities			
Money Market Mutual Funds	\$ 108,886.00	\$ 108,886.00	\$ 0.00
Domestic Corporate Bond Mutual Funds	1,112,875.00		1,112,875.00
Foreign Government Bond Mutual Funds	60,056.00		60,056.00
<b>Total Debt Securities</b>	<b>1,281,817.00</b>	<b>\$ 108,886.00</b>	<b>\$ 1,172,931.00</b>
Other Securities			
Absolute Return Mutual Funds	808,323.00		
Investments in Real Estate	220,640.00		
Domestic Stock Mutual Funds	2,028,039.00		
Foreign Stock Mutual Funds	925,215.00		
<b>Total Investments</b>	<b>\$ 5,264,034.00</b>		

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have a formal policy that addresses credit risk. As of June 30, 2016, the College's investments were rated as follows:

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Money Market Mutual Funds	\$ 108,886.00	\$ 108,886.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Domestic Corporate Bond Mutual Funds	1,112,875.00	601,797.00	46,879.00	104,482.00	132,992.00	113,854.00	112,871.00
Foreign Government Bond Mutual Funds	60,056.00	6,546.00	1,603.00	4,907.00	26,899.00	8,564.00	11,537.00
<b>Totals</b>	<b>\$ 1,281,817.00</b>	<b>\$ 717,229.00</b>	<b>\$ 48,482.00</b>	<b>\$ 109,389.00</b>	<b>\$ 159,891.00</b>	<b>\$ 122,418.00</b>	<b>\$ 124,408.00</b>

Rating Agency: Moody's, S&P, and Fitch

**Foreign Currency Risk:** Foreign currency risk is defined by GASB Statement No. 40 as the risk that changes in exchange rates will adversely affect the fair value of an investment. The College does not have a formal policy for foreign currency risk. The underlying investments were subject to foreign currency risk based on investments in several foreign countries. The College's exposure to foreign currency risk for their investments is as follows:

Investment	Amount (U.S. Dollars)
Foreign Government Bond Mutual Funds	\$ 60,056.00
Foreign Stock Mutual Funds	925,215.00
<b>Total</b>	<b>\$ 985,271.00</b>

**C. Reconciliation of Deposits and Investments** - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2016, is as follows:

Cash on Hand	\$ 9,660.00
Carrying Amount of Deposits with Private Financial Institutions	3,381,763.65
Investments in the Short-Term Investment Fund	3,468,321.98
Other Investments	<u>5,264,034.00</u>
<b>Total Deposits and Investments</b>	<b><u>\$ 12,123,779.63</u></b>
Deposits	
Current:	
Cash and Cash Equivalents	\$ 5,982,208.74
Restricted Cash and Cash Equivalents	788,917.62
Noncurrent:	
Restricted Cash and Cash Equivalents	<u>88,619.27</u>
<b>Total Deposits</b>	<b><u>6,859,745.63</u></b>
Investments	
Current:	
Short-Term Investments	1,164,719.00
Restricted Short-Term Investments	504,589.00
Noncurrent:	
Restricted Investments	3,374,086.00
Other Investments	<u>220,640.00</u>
<b>Total Investments</b>	<b><u>5,264,034.00</u></b>
<b>Total Deposits and Investments</b>	<b><u>\$ 12,123,779.63</u></b>

**NOTE 3 - FAIR VALUE MEASUREMENTS**

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.

The following table summarizes the College's investments, including the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2016:

	Fair Value Measurements Using			
	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
Money Market Mutual Funds	\$ 108,886.00	\$ 108,886.00	\$ 0.00	\$ 0.00
Domestic Corporate Bond Mutual Funds	1,112,875.00	1,112,875.00		
Foreign Government Bond Mutual Funds	60,056.00	60,056.00		
Total Debt Securities	1,281,817.00	1,281,817.00		
Other Securities				
Short-Term Investment Fund	3,468,321.98		3,468,321.98	
Absolute Return Mutual Funds	808,323.00	808,323.00		
Domestic Stock Mutual Funds	2,028,039.00	2,028,039.00		
Foreign Stock Mutual Funds	925,215.00	925,215.00		
Investments in Real Estate	220,640.00			220,640.00
Total Investments by Fair Value Level	\$ 8,732,355.98	\$ 5,043,394.00	\$ 3,468,321.98	\$ 220,640.00

**Short-Term Investment Fund** – 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.

**Debt and Equity Securities** - Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

**Investments in Real Estate** - The Foundation currently holds land for resale valued at \$220,640.00. This investment is classified in Level 3. The real estate was donated to the Foundation to be sold. The fair value is initially determined by donar appraisal. The investment is periodically measured at fair value by comparing it to comparative sales, county property tax values and/or tentative asking prices.

**NOTE 4 - ENDOWMENT INVESTMENTS**

Investments of the College's endowment funds are pooled, unless required to be separately invested by the donor. 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 investments of the endowment funds. Under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. However, a majority of the College's endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Investment return of the College's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure. Annual payouts from the College's endowment funds are based on an adopted spending policy which allows up to 100% of the endowment income each year for the sole purpose of funding student scholarships. At June 30, 2016, net appreciation of \$504,589 was available to be spent, all of which was classified as restricted for specific purposes in net position.

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2016, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 419,651.22	\$ 233,675.75	\$ 185,975.47
Student Sponsors	657,426.26		657,426.26
Accounts	162,958.31		162,958.31
Intergovernmental	129,481.28		129,481.28
Other	2,908.48		2,908.48
<b>Total Current Receivables</b>	<u>\$ 1,372,425.55</u>	<u>\$ 233,675.75</u>	<u>\$ 1,138,749.80</u>
<b>Noncurrent Receivables:</b>			
Intergovernmental	<u>\$ 312,541.71</u>	<u>\$ 0.00</u>	<u>\$ 312,541.71</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 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 and Permanent Easements	\$ 1,115,293.08	\$ 366,669.29	\$ 0.00	\$ 1,481,962.37
Construction in Progress	4,935,208.79	2,576,227.39	615,876.17	6,895,560.01
<b>Total Capital Assets, Nondepreciable</b>	<b>6,050,501.87</b>	<b>2,942,896.68</b>	<b>615,876.17</b>	<b>8,377,522.38</b>
Capital Assets, Depreciable:				
Buildings	28,969,059.62	1,053,454.23		30,022,513.85
Machinery and Equipment	7,383,553.41	381,354.35	162,745.23	7,602,162.53
General Infrastructure	14,554,950.85	307,100.20		14,862,051.05
<b>Total Capital Assets, Depreciable</b>	<b>50,907,563.88</b>	<b>1,741,908.78</b>	<b>162,745.23</b>	<b>52,486,727.43</b>
Less Accumulated Depreciation for:				
Buildings	15,883,978.86	614,188.52		16,498,167.38
Machinery and Equipment	2,723,223.97	643,065.97	133,115.87	3,233,174.07
General Infrastructure	2,385,955.73	277,569.03		2,663,524.76
<b>Total Accumulated Depreciation</b>	<b>20,993,158.56</b>	<b>1,534,823.52</b>	<b>133,115.87</b>	<b>22,394,866.21</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>29,914,405.32</b>	<b>207,085.26</b>	<b>29,629.36</b>	<b>30,091,861.22</b>
<b>Capital Assets, Net</b>	<b>\$ 35,964,907.19</b>	<b>\$ 3,149,981.94</b>	<b>\$ 645,505.53</b>	<b>\$ 38,469,383.60</b>

### 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	\$ 101,237.55
Accrued Payroll	628,572.95
Contract Retainage	312,541.71
<b>Total Current Accounts Payable and Accrued Liabilities</b>	<b>\$ 1,042,352.21</b>

### 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	\$ 1,193,407.00	\$ 2,597,556.00	\$ 0.00	\$ 3,790,963.00	\$ 0.00
Compensated Absences	869,257.31	1,138,727.08	1,124,513.25	883,471.14	103,719.50
<b>Total Long-Term Liabilities</b>	<b>\$ 2,062,664.31</b>	<b>\$ 3,736,283.08</b>	<b>\$ 1,124,513.25</b>	<b>\$ 4,674,434.14</b>	<b>\$ 103,719.50</b>

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



**NOTE 9 - OPERATING LEASE OBLIGATIONS**

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

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 76,367.22
2018	58,599.58
2019	16,186.60
<b>Total Minimum Lease Payments</b>	<b>\$ 151,153.40</b>

Rental expense for all operating leases during the year was \$103,038.37.

**NOTE 10 - REVENUES**

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

	<u>Gross Revenues</u>	<u>Internal Sales Eliminations</u>	<u>Less Scholarship Discounts</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
<b>Operating Revenues:</b>					
Student Tuition and Fees, Net	<u>\$ 8,329,425.50</u>	<u>\$ 0.00</u>	<u>\$ 2,892,026.37</u>	<u>\$ 62,499.14</u>	<u>\$ 5,374,899.99</u>
<b>Sales and Services:</b>					
Sales and Services of Auxiliary Enterprises:					
Dining	\$ 320,525.49	\$ 6,419.62	\$ 0.00	\$ 0.00	\$ 314,105.87
Vending	60,950.55				60,950.55
Bookstore	2,586,381.96	6,795.03	1,292,421.12		1,287,165.81
Sales and Services of Education and Related Activities	<u>62,757.00</u>				<u>62,757.00</u>
<b>Total Sales and Services, Net</b>	<u>\$ 3,030,615.00</u>	<u>\$ 13,214.65</u>	<u>\$ 1,292,421.12</u>	<u>\$ 0.00</u>	<u>\$ 1,724,979.23</u>

**NOTE 11 - OPERATING EXPENSES BY FUNCTION**

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

	<u>Salaries and Benefits</u>	<u>Supplies and Materials</u>	<u>Services</u>	<u>Scholarships and Fellowships</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 14,919,470.77	\$ 1,169,380.28	\$ 563,342.73	\$ 161,204.63	\$ 0.00	\$ 0.00	\$ 16,813,398.41
Academic Support	3,192,174.07	190,153.68	247,499.95				3,629,827.70
Student Services	1,840,844.64	89,355.41	257,380.43	56,306.40			2,243,886.88
Institutional Support	1,597,858.28	412,398.85	628,970.59	4,673.62			2,643,901.34
Operations and Maintenance of Plant	1,097,128.86	1,060,178.44	1,064,687.19		760,292.76		3,982,287.25
Student Financial Aid				5,271,792.73			5,271,792.73
Auxiliary Enterprises	257,404.70	2,273,674.72	81,696.83				2,612,776.25
Pension Expense	350,890.00						350,890.00
Depreciation						1,534,823.52	1,534,823.52
<b>Total Operating Expenses</b>	<u>\$ 23,255,771.32</u>	<u>\$ 5,195,141.38</u>	<u>\$ 2,843,577.72</u>	<u>\$ 5,493,977.38</u>	<u>\$ 760,292.76</u>	<u>\$ 1,534,823.52</u>	<u>\$ 39,083,584.08</u>

## 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 \$1,373,898.58, and employee contributions were \$900,917.09 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 by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and

clicking on “Reports” or by calling the State Controller’s Financial Reporting Section at (919) 707-0500.

*TSERS Basis of Accounting:* The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan’s fiduciary net position was determined on the same basis used by the pension plan.

*Methods Used to Value TSERS Investment:* Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2015 *Comprehensive Annual Financial Report*.

*Net Pension Liability:* At June 30, 2016, the College reported a liability of \$3,790,963.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, and update procedures were used to roll forward the total pension liability to June 30, 2015. The College’s proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2015, the College’s proportion was 0.10287%, which was an increase of .00108 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%)
\$ 11,409,753.00	\$ 3,790,963.00	\$ (2,674,458.40)

*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 \$350,890.00. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 0.00	\$ 431,033.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		410,718.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	47,031.00	87,966.00
Contributions Subsequent to the Measurement Date	1,373,899.00	
Total	\$ 1,420,930.00	\$ 929,717.00

The amount of \$1,373,899.00 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 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	\$ (512,109.00)
2018	(512,109.00)
2019	(489,909.00)
2020	631,441.00
Total	<u>\$ (882,686.00)</u>

**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 \$840,855.96, \$781,096.97, and \$750,454.57, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

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

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 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 \$61,562.67, \$58,333.29, and \$61,148.15, 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. The College is protected from losses from employee dishonesty for employees paid from county and institutional funds by contracts with private insurance companies.

#### **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. Other insurance purchased by the College includes general liability insurance with coverage of \$2,000,000 for bodily injury and property damage, excess liability coverage of \$6,000,000, and supplemental director's and officer's coverage of \$2,000,000, and boiler, machinery, and equipment insurance with limits of \$89,497,660.

### **NOTE 15 - COMMITMENTS**

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$493,880.00 and on other purchases were \$304,888.78 at June 30, 2016.

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 16 - BLENDED COMPONENT UNIT

Condensed combining information for the College's blended component unit for the year ended June 30, 2016, is presented as follows:

### *Condensed Statement of Net Position June 30, 2016*

	College	CCCC Foundation, Inc.	Eliminations	Total
<b>ASSETS</b>				
Current Assets	\$ 8,556,861.97	\$ 1,671,587.00	\$ 0.00	\$ 10,228,448.97
Capital Assets	38,469,383.60			38,469,383.60
Other Noncurrent Assets	491,160.98	3,594,726.00		4,085,886.98
Total Assets	47,517,406.55	5,266,313.00		52,783,719.55
Total Deferred Outflows of Resources	1,420,930.00			1,420,930.00
<b>LIABILITIES</b>				
Current Liabilities	1,505,637.62	761.00		1,506,398.62
Long-Term Liabilities	4,570,714.64			4,570,714.64
Other Noncurrent Liabilities	20,232.07			20,232.07
Total Liabilities	6,096,584.33	761.00		6,097,345.33
Total Deferred Inflows of Resources	929,717.00			929,717.00
<b>NET POSITION</b>				
Net Investment in Capital Assets	38,152,085.69			38,152,085.69
Restricted - Nonexpendable	21,912.18	3,374,086.00		3,395,998.18
Restricted - Expendable	878,408.57	504,589.00		1,382,997.57
Unrestricted	2,859,628.78	1,386,877.00		4,246,505.78
Total Net Position	\$ 41,912,035.22	\$ 5,265,552.00	\$ 0.00	\$ 47,177,587.22

### *Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2016*

	College	CCCC Foundation, Inc.	Eliminations	Total
<b>OPERATING REVENUES</b>				
Student Tuition and Fees, Net	\$ 5,374,899.99	\$ 0.00	\$ 0.00	\$ 5,374,899.99
Sales and Service, Net	1,724,979.23			1,724,979.23
Other Operating Revenues	110,705.12	115,252.00	(84,298.00)	141,659.12
Total Operating Revenues	7,210,584.34	115,252.00	(84,298.00)	7,241,538.34
<b>OPERATING EXPENSES</b>				
Operating Expenses	37,471,576.57	252,843.00	(175,659.01)	37,548,760.56
Depreciation	1,534,823.52			1,534,823.52
Total Operating Expenses	39,006,400.09	252,843.00	(175,659.01)	39,083,584.08
Operating Loss	(31,795,815.75)	(137,591.00)	91,361.01	(31,842,045.74)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State Aid	16,528,405.21			16,528,405.21
County Appropriations	3,653,126.42			3,653,126.42
Noncapital Grants - Student Financial Aid	9,554,040.05		(91,361.01)	9,462,679.04
Noncapital Grants	774,760.11			774,760.11
Noncapital Gifts		26,543.00		26,543.00
Investment Income (Loss), Net	25,872.57	(226,443.00)		(200,570.43)
Other Nonoperating Expenses	(29,629.36)			(29,629.36)
Net Nonoperating Revenues (Expenses)	30,506,575.00	(199,900.00)	(91,361.01)	30,215,313.99
Capital Grants	79,404.33			79,404.33
Capital Gifts		2,000.00		2,000.00
State Capital Aid	405,169.29			405,169.29
County Capital Aid	4,691,119.85			4,691,119.85
Additions to Endowments		92,528.00		92,528.00
Increase (Decrease) in Net Position	3,886,452.72	(242,963.00)		3,643,489.72
<b>NET POSITION</b>				
Net Position, July 1, 2015	38,025,582.50	5,508,515.00		43,534,097.50
Net Position, June 30, 2016	\$ 41,912,035.22	\$ 5,265,552.00	\$ 0.00	\$ 47,177,587.22

*Condensed Statement of Cash Flows*  
*June 30, 2016*

	College	CCCC Foundation, Inc.	Total
Net Cash Used by Operating Activities	\$ (31,358,641.40)	\$ (135,856.00)	\$ (31,494,497.40)
Net Cash Provided by Noncapital Financing Activities	30,412,304.69	120,422.00	30,532,726.69
Net Cash Provided by Capital and Related Financing Activities	1,325,048.43	2,000.00	1,327,048.43
Net Cash Provided (Used) by Investing Activities	29,608.57	(3,694.00)	25,914.57
Net Increase (Decrease) in Cash and Cash Equivalents	408,320.29	(17,128.00)	391,192.29
Cash and Cash Equivalents, July 1, 2015	6,451,425.34	17,128.00	6,468,553.34
Cash and Cash Equivalents, June 30, 2016	\$ 6,859,745.63	\$ 0.00	\$ 6,859,745.63

**NOTE 17 - 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**

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

**Exhibit B-1**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportionate Share Percentage of Collective Net Pension Liability	0.10287%	0.10179%	0.10460%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 3,790,963.00	\$ 1,193,407.00	\$ 6,350,286.00
Covered-Employee Payroll	\$ 14,227,631.45	\$ 13,897,307.03	\$ 14,324,281.52
Net Pension Liability as a Percentage of Covered-Employee Payroll	26.65%	8.59%	44.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%

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

**Exhibit B-2**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Contractually Required Contribution	\$ 1,373,898.58	\$ 1,301,828.28	\$ 1,207,675.98	\$ 1,193,212.65	\$ 1,020,023.97
Contributions in Relation to the Contractually Determined Contribution	<u>1,373,898.58</u>	<u>1,301,828.28</u>	<u>1,207,675.98</u>	<u>1,193,212.65</u>	<u>1,020,023.97</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Covered-Employee Payroll	\$ 15,015,284.99	\$ 14,227,631.45	\$ 13,897,307.03	\$ 14,324,281.52	\$ 13,709,999.66
Contributions as a Percentage of Covered-Employee Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Contractually Required Contribution	\$ 664,317.50	\$ 474,994.82	\$ 481,006.98	\$ 445,052.09	\$ 344,830.00
Contributions in Relation to the Contractually Determined Contribution	<u>664,317.50</u>	<u>474,994.82</u>	<u>481,006.98</u>	<u>445,052.09</u>	<u>344,830.00</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Covered-Employee Payroll	\$ 13,475,000.06	\$ 13,305,177.06	\$ 14,315,683.95	\$ 14,591,871.56	\$ 12,963,534.01
Contributions as a Percentage of Covered-Employee Payroll	4.93%	3.57%	3.36%	3.05%	2.66%

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

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*Changes of Benefit Terms:*

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

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

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



# **INDEPENDENT AUDITOR'S REPORT**



STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

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

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Board of Trustees  
Coastal Carolina Community College  
Jacksonville, 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 Coastal Carolina Community College (College), a component unit of the State of North Carolina, 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 December 7, 2016. Our report includes a reference to other auditors who audited the financial statements of Coastal Carolina Community College Foundation, Inc., as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

December 7, 2016

# ORDERING INFORMATION

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