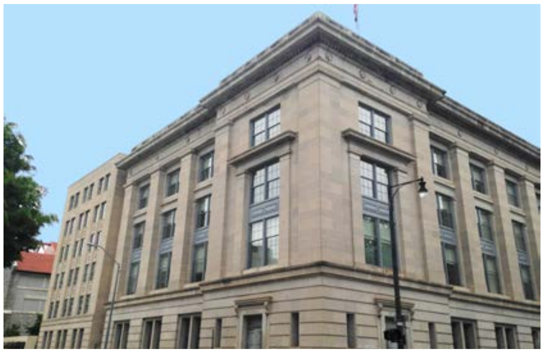
STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



TRI-COUNTY COMMUNITY COLLEGE

MURPHY, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2016

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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

AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Trustees, Tri-County Community College

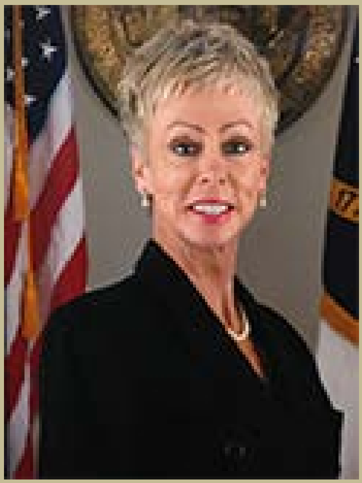
We have completed a financial statement audit of Tri-County Community College for the year ended June 30, 2016, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material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

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

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor

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State Auditor

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20601 Mail Service Center
Raleigh, NC 27699-0600
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Tri-County Community College
Murphy, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Tri-County 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 Tri-County Community College Foundation, Inc., which represent 3.96 percent, 4.57 percent, and 0.38 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 Tri-County 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. The financial statements of Tri-County Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Tri-County 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Purpose

The information in this section is intended to provide a general overview of Tri-County Community College's (College) financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The user is encouraged to reference the appropriate section of the financial statements for the detailed supporting information.

The College reports as a special purpose government engaged in business-type activities. Under this provision, the College presents financial statements using the economic resources measurement focus and the accrual basis of accounting. The basic financial statements under this provision are the following: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements.

The Statement of Net Position reports all financial and capital resources available to the College as of the end of the fiscal year. This statement presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources in order of their relative liquidity, meaning those assets that are most easily converted to cash presented first and liabilities whose maturity dates are nearest to the end of the fiscal year presented first. Net position is presented in three categories: investment in capital assets, restricted, and unrestricted. This statement details the College's financial strength and its ability to meet current and future obligations.

The Statement of Revenues, Expenses, and Changes in Net Position reports revenues and expenses by major source. Revenues are shown as operating, nonoperating, or as an addition to endowments or a capital contribution. Expenses are also shown by major use as either operating or nonoperating. This statement is used to determine the extent the College is dependent upon operating or nonoperating sources of funding to continue operations.

The Statement of Cash Flows displays the cash receipts and cash payments of the College for the fiscal year. This statement is used to assess the College's ability to generate future net cash flows, to meet obligations, to identify needs for external financing, to identify the reasons for differences between operating income on the Statement of Revenues, Expenses, and Changes in Net Position and associated cash receipts and payments, and to identify the effects on the College's financial position of both its cash and noncash investing, capital, and financing transactions through the fiscal year. A reconciliation of operating income to net cash flow from operating activities is provided to detail the net effects of operating transactions and other events that affect operating income and operating cash flows in different periods.

The Notes to the Financial Statements are an integral component of the basic financial statements and should be read in conjunction with the other statements in order to achieve a fuller understanding of the line-items presented in the financial statements.

The financial statements of Tri-County Community College Foundation, Inc. (Foundation) have been blended with those of the College. See note 1A for further details.

The prior year amounts below have been restated for 2015. See note 15 of the financial statements for more information.

Effective beginning with the fiscal year ended June 30, 2015, the Government Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Additionally, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of the statements is to improve accounting and financial reporting by state and local governments for pensions and improve information provided by state and local governmental employees about financial support for pensions that is provided by other entities. The statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pensions, these statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. These statements also establish requirements related to special funding situations for defined contribution pensions. The calculations for the components of GASB 68 are very complex, require extensive actuarial analysis, and take an inordinate amount of time. Therefore, under GASB 68, an institution may select a measurement date for the pension components to be no earlier than the end of the prior fiscal year. The Teachers' and State Employees' Retirement System (TSERS) plan has elected to use June 30, 2015 as the measurement date for actuarial components reported in the June 30, 2016 financial statements. GASB 68 recognizes employer pension contributions made during the current fiscal year (after the elected measurement period) and changes in varying assessment criteria as:

Deferred Outflows of Resources - A consumption of net assets by the government that is applicable to a future reporting period and has a positive effect on net position similar to assets.

Deferred Inflows of Resources – An acquisition of net assets by the government that is applicable to a future reporting period and has a negative effect on net position similar to liabilities.

Total Assets

The total assets of the College increased by $26,130.86 or 0.24%. The assets of the College are divided between current and noncurrent holdings.

Current Assets

Current assets include cash, short-term certificates of deposit, receivables, inventories, and prepaid items. Cash increased by $397,133.09 or 56.90% as a result of grant funds received for campus construction, renovation, and improvement projects that were completed and placed in service at the beginning of this fiscal year. Investments did not change from the prior year. Receivables decreased by $283,854.06 or 56.87% due in large part to the fact that construction project reimbursements which were outstanding in the prior year were received in the current year. Inventories decreased by $15,990.15 or 16.84% because fewer supplies were needed on hand to complete the remainder of the summer semester (July) than the previous year. Prepaid insurance increased by $16,650.76 or 30.98% due to an increase in the property insurance premium as a result of the new construction and the addition of a cyber risk policy.

Current Assets	2015-2016	2014-2015	Change	% Change
Cash	$ 1,095,132.17	$ 697,999.08	$ 397,133.09	56.90%
Investments	207,000.00	207,000.00		
Receivables, Net	215,259.37	499,113.43	(283,854.06)	-56.87%
Inventories	78,981.68	94,971.83	(15,990.15)	-16.84%
Prepaid Items	70,401.25	53,750.49	16,650.76	30.98%
Total Current Assets	$ 1,666,774.47	$ 1,552,834.83	$ 113,939.64	7.34%

Noncurrent Assets

Noncurrent assets include cash, certificates of deposit, and capital assets (land, construction in progress, buildings, general infrastructure, and machinery and equipment). Cash and investments did not change. Net capital assets decreased by $87,808.78 due in general to depreciation increases from the significant construction projects that have been placed in service and slightly higher than normal equipment disposals.

Noncurrent Assets	2015-2016	2014-2015 (As Restated)	Change	% Change
Cash	$ 414.70	$ 414.70	$ 0.00	0.00%
Investments	214,500.00	214,500.00		
Capital Assets, Net	9,178,534.65	9,266,343.43	(87,808.78)	-0.95%
Total Noncurrent Assets	$ 9,393,449.35	$ 9,481,258.13	$ (87,808.78)	-0.93%

Deferred Outflows of Resources

Deferred outflows of resources consisted of employer pension contributions made during the current fiscal year applicable to a future reporting period and differences between the employer's actual contributions and proportionate share of contributions attributable to the measurement period. The increase is mostly due to an increase in the proportionate share of contributions attributable to the measurement period.

	2015-2016	2014-2015	Change	% Change
Deferred Outflows for Pensions	$ 615,548.00	$ 534,803.00	$ 80,745.00	15.10%

Total Liabilities

Total liabilities of the College increased by $830,522.33 or 75.79%.The liabilities of the College are divided between current liabilities payable within twelve months and noncurrent liabilities that extend beyond a year. Long-term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year calculated at the current salary rates for each employee, consistent with the institution's leave policies, as well as amounts pertaining to the College's net pension liability.

Liabilities

Accounts payable and accrued liabilities increased by $22,707.45 or 8.77% as a result of accruals for keyless locks installed at the end of the fiscal year as well as final disbursements under the WIOA (Workforce Innovation and Opportunity Act) outsourcing contractor agreement with the Southwestern Development Board which closed June 30, 2016. Unearned revenue decreased by $56,066.80 or 63.04% due in large part to a decrease in summer enrollment. Funds held for others decreased by $3,285.50 or 35.22% due to a decrease in financial aid held for students. Long-term liabilities - current portion increased by $21,079.58 or 69.49% due to an increased estimate of current vacation used. Long-term liabilities increased by $846,087.60 or 119.48%, of which the bulk of the increase represents the College's proportionate share of the change in the collective statewide net pension liability for TSERS. For more information, see Note 10 of the Notes to Financial Statements.

Current Liabilities	2015-2016	2014-2015	Change	% Change
Accounts Payable and Accrued Liabilities	$ 281,748.45	$ 259,041.00	$ 22,707.45	8.77%
Unearned Revenue	32,867.69	88,934.49	(56,066.80)	-63.04%
Funds Held for Others	6,043.71	9,329.21	(3,285.50)	-35.22%
Long-Term Liabilities - Current Portion	51,414.30	30,334.72	21,079.58	69.49%
Noncurrent Liabilities				
Long-Term Liabilities	1,554,217.91	708,130.31	846,087.60	119.48%
Total Liabilities	$ 1,926,292.06	$ 1,095,769.73	$ 830,522.33	75.79%

Deferred Inflows of Resources

Deferred inflows of resources consisted of the College's proportionate difference between expected and actual experience and projected and actual investment earnings in the pension plan. The decrease from the prior fiscal year is primarily due to differences between actuarial calculations of the projected investment earnings and actual earnings of funds invested in TSERS. See Note 10 to the financial statements for further details.

	2015-2016	2014-2015	Change	% Change
Deferred Inflows for Pensions	$ 279,847.00	$ 1,355,029.00	$ (1,075,182.00)	-79.35%

Net Position

Net position is the difference between the College's assets plus deferred outflows of resources less liabilities and deferred inflows of resources. For fiscal year 2016, the College's net position increased by $351,535.53 or 3.86%. Investment in capital assets decreased by $87,808.78 or 0.95% due to depreciation and the disposal of equipment during the year. Restricted increased $63,718.63 or 9.55% because grant funds were received in reimbursement of the prior year's construction projects. Unrestricted increased by $375,625.68 or 46.05% due in large part to the proportionate fluctuations of the pension components.

	2015-2016	2014-2015 (As Restated)	Change	% Change
Investment in Capital Assets	$ 9,178,534.65	$ 9,266,343.43	$ (87,808.78)	-0.95%
Restricted	731,106.95	667,388.32	63,718.63	9.55%
Unrestricted	(440,008.84)	(815,634.52)	375,625.68	46.05%
Total Net Position	$ 9,469,632.76	$ 9,118,097.23	$ 351,535.53	3.86%

Total Revenues and Expenses

The College's total revenues decreased by $547,490.38 or 4.21% and are classified as operating, nonoperating, capital contributions, and additions to endowments. Total expenses decreased by $317,571.65 or 2.55% and are classified as either operating or nonoperating.

	2015-2016	2014-2015 (As Restated)	Change	% Change
Total Revenues	$ 12,465,481.76	$ 13,012,972.14	$ (547,490.38)	-4.21%
Total Expenses	12,113,946.23	12,431,517.88	(317,571.65)	-2.55%
Change in Net Position	$ 351,535.53	$ 581,454.26	$ (229,918.73)	-39.54%

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Operating Revenues

Operating revenues include student tuition and fees, net, the revenue received from sales and services, which is principally comprised of the revenue received from the bookstore, vending and patron fees, and other operating revenues. Student tuition, though identified as revenue, is remitted back to the State Treasurer and is not netted against the College's state aid, which is identified as nonoperating revenue. Gross student tuition and fees is reduced by the scholarship discount, which represents payments toward tuition and fees from student financial aid, to arrive at student tuition and fees, net, which increased by $111,030.74 or 17.80%. A statutorily-mandated increase in the student tuition rate coupled with a decrease in scholarship discounts resulted in this increase. The state and local grants and contracts item represents a local contract with one of the service area counties for economic development work. Because economic development is an integral part of the College's mission, the revenue is deemed to be substantially related to the College's exempt purpose and therefore no unrelated business income tax has been reserved. Sales and services decreased by a minimal amount of $464.60. A slight decrease in enrollment resulted in a slight decrease in bookstore commissions. Other operating revenue increased by $4,413.30 as a result of an increase in Foundation contributions.

	2015-2016	2014-2015	Change	% Change
Student Tuition and Fees, Net	$ 734,862.99	$ 623,832.25	$ 111,030.74	17.80%
State and Local Grants and Contracts	16,666.70		16,666.70	100.00%
Sales and Services	80,802.17	81,266.77	(464.60)	-0.57%
Other Operating Revenues	33,010.03	28,596.73	4,413.30	15.43%
Total Operating Revenues	$ 865,341.89	$ 733,695.75	$ 131,646.14	17.94%

Nonoperating Revenues

Nonoperating revenues comprise the major portion of the College's income and include allocations from the North Carolina State Board of Community Colleges for current expenses and equipment purchases. This revenue source also includes funds appropriated from the Cherokee, Clay, and Graham County Boards of Commissioners. Noncapital grants include funding for items such as program initiation, student financial assistance, and the Tri-County Early College High School. Noncapital gifts include contributions to the Foundation and private grantors. State aid decreased slightly by $28,865.93 or 0.43% due to a decrease in prior years' enrollment. County funding increased $17,500.00 or 1.71% due to an increase in current local budget appropriations. Noncapital grants decreased by $342,260.54 primarily due to a reduction in PELL awards. Noncapital gifts decreased by $8,695.90 or 28.09% as a result of a decrease in the Foundation scholarship contributions. Other nonoperating revenues decreased by $173,585.40 because the prior year's balance included funds earned to be spent on equipment.

	2015-2016	2014-2015	Change	% Change
State Aid	$ 6,747,542.61	$ 6,776,408.54	$ (28,865.93)	-0.43%
County Appropriations	1,039,580.04	1,022,080.04	17,500.00	1.71%
Noncapital Grants	3,225,941.58	3,568,202.12	(342,260.54)	-9.59%
Noncapital Gifts	22,259.46	30,955.36	(8,695.90)	-28.09%
Investment Income	876.26	2,033.22	(1,156.96)	-56.90%
Other Nonoperating Revenue (Expense)	(26,567.66)	147,017.74	(173,585.40)	-118.07%
Total Net Nonoperating Revenues	$ 11,009,632.29	$ 11,546,697.02	$ (537,064.73)	-4.65%

Capital Contributions and Additions to Endowments

Capital contributions are received through appropriations from the North Carolina State Board of Community Colleges under an allocation formula for educational equipment and library books, as well as county appropriations and other funding sources. During 2015-2016, state capital aid decreased by $57,470.82 or 22.28% due to the reduction in equipment expenses regarding college purchases. County capital aid decreased by $17,500.00 as a result of decreased funding provided for improvements and renovations. Capital grants decreased by $93,624.63 due to a decrease in funding provided by various agencies such as the Golden Leaf Foundation for the construction of new facilities.

	2015-2016	2014-2015	Change	% Change
State Capital Aid	$ 200,475.55	$ 257,946.37	$ (57,470.82)	-22.28%
County Capital Aid		17,500.00	(17,500.00)	-100.00%
Capital Grants	361,985.37	455,610.00	(93,624.63)	-20.55%
Capital Gifts	1,323.00	1,426.00	(103.00)	-7.22%
Additions to Endowments	156.00	97.00	59.00	60.82%
Total Contributions	$ 563,939.92	$ 732,579.37	$ (168,639.45)	-23.02%

Operating Expenses

The College's operating expenses are comprised principally of the direct cost of personnel and their fringe benefits identified as salaries and benefits, which increased slightly due to a legislative increase in compensation. The most significant changes are as follows: supplies and materials decreased by $409,604.21 or 31.66% primarily due to the prior two years included higher than normal purchases for capital-intensive educational programs and to supply newly constructed buildings with needed supplies. Services increased by 10.98% because of increased contractual agreement costs with local providers and various agencies. Scholarships and fellowships decreased by $310,934.69 or 15.01% as a result of decreased Pell awards due to lower student enrollment. Depreciation increased by $113,203.22 or 32.59%, primarily due to the addition of a significant amount of newly constructed assets that were placed in service this year.

	2015-2016	2014-2015 (As Restated)	Change	% Change
Salaries and Benefits	$ 7,195,077.34	$ 7,120,614.65	$ 74,462.69	1.05%
Supplies and Materials	883,974.84	1,293,579.05	(409,604.21)	-31.66%
Services	1,373,240.27	1,237,347.68	135,892.59	10.98%
Scholarships and Fellowships	1,760,360.87	2,071,295.56	(310,934.69)	-15.01%
Utilities	414,124.84	361,283.75	52,841.09	14.63%
Depreciation	460,600.41	347,397.19	113,203.22	32.59%
Total Expenses	$ 12,087,378.57	$ 12,431,517.88	$ (344,139.31)	-2.77%

Significant Capital Asset Activity

The College placed in service a marked increase in capital assets for fiscal year 2015-2016. The construction of new facilities regarding the Culinary Arts Building, which provides space and resources for the new Hospitality Management program and support for several of the College's events, and the newly constructed Graham County Classroom Center, have become welcome and much needed additions. For more information on capital assets, see Note 5 to the financial statements.

The State's Connect NC $2 billion bond referendum passed through voter approval late in fiscal year 2016. The College is slated to receive $4.5 million in funding that may be used for either repair and renovation or new construction. The College will continue to evaluate needs and determine the best use for all available funds.

Bond monies used for repair and renovation will not require matching funds from local sources. While new construction projects will require a matching component, the College is allowed to use its credit from the amount of over-matching local funds that have been spent in the past to satisfy much of this requirement.

Additionally, the College was awarded a Golden Leaf Grant in the amount of $1.2 million to finance the construction of the Health Alliances Training Facility which will be an addition to the existing Enloe Building. This facility is intended to not only enhance current training programs but also implement new programs to meet the expected increase of employer demand in the health care field in the College's service area. Due to contingencies contained in the grantee agreement not being met until after the 2016 fiscal year end, the grant receivable and associated revenue will not be recognized until the 2017 fiscal year.

Economic Outlook

The new Valley River Casino has added a much needed surge in employment opportunities for the area, adding an estimated 900 employees, and will continue to contract with the College to provide training to many of its employees which could significantly impact the communities' need for higher education and job skills enhancement.

FINANCIAL STATEMENTS

Tri-County Community College
Statement of Net Position
June 30, 2016

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	650,537.70
Restricted Cash and Cash Equivalents		444,594.47
Short-Term Investments		112,000.00
Restricted Short-Term Investments		95,000.00
Receivables, Net (Note 4)		215,259.37
Inventories		78,981.68
Prepaid Items		70,401.25
Total Current Assets		1,666,774.47
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		414.70
Restricted Investments		214,500.00
Capital Assets - Nondepreciable (Note 5)		399,458.90
Capital Assets - Depreciable, Net (Note 5)		8,779,075.75
Total Noncurrent Assets		9,393,449.35
Total Assets		11,060,223.82
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		615,548.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		281,748.45
Unearned Revenue		32,867.69
Funds Held for Others		6,043.71
Long-Term Liabilities - Current Portion (Note 7)		51,414.30
Total Current Liabilities		372,074.15
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		1,554,217.91
Total Liabilities		1,926,292.06
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		279,847.00

Tri-County Community College
Statement of Net Position
June 30, 2016

NET POSITION	
Investment in Capital Assets	9,178,534.65
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	214,914.70
Other	3,215.00
Expendable:	
Scholarships and Fellowships	124,017.18
Capital Projects	115,205.16
Restricted for Specific Programs	273,754.91
Unrestricted	(440,008.84)
Total Net Position	$ 9,469,632.76

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

Tri-County 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 8)	$	734,862.99
State and Local Grants and Contracts		16,666.70
Sales and Services		80,802.17
Other Operating Revenues		33,010.03
Total Operating Revenues		865,341.89
EXPENSES		
Operating Expenses:		
Salaries and Benefits		7,195,077.34
Supplies and Materials		883,974.84
Services		1,373,240.27
Scholarships and Fellowships		1,760,360.87
Utilities		414,124.84
Depreciation		460,600.41
Total Operating Expenses		12,087,378.57
Operating Loss		(11,222,036.68)
NONOPERATING REVENUES (EXPENSES)		
State Aid		6,747,542.61
County Appropriations		1,039,580.04
Noncapital Grants - Student Financial Aid		2,558,833.04
Noncapital Grants		667,108.54
Noncapital Gifts		22,259.46
Investment Income		876.26
Other Nonoperating Expenses		(26,567.66)
Net Nonoperating Revenues		11,009,632.29
Loss Before Other Revenues		(212,404.39)
State Capital Aid		200,475.55
Capital Grants		361,985.37
Capital Gifts		1,323.00
Additions to Endowments		156.00
Increase in Net Position		351,535.53
NET POSITION		
Net Position, July 1, 2015 as Restated (Note 15)		9,118,097.23
Net Position, June 30, 2016	$	9,469,632.76

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

Tri-County Community College
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2016 — *Page 1 of 2*

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 867,771.77
Payments to Employees and Fringe Benefits	(7,483,116.93)
Payments to Vendors and Suppliers	(2,650,013.34)
Payments for Scholarships and Fellowships	(1,760,360.87)
Other Receipts	2,048.90
Net Cash Used by Operating Activities	(11,023,670.47)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	6,747,542.61
County Appropriations	1,039,580.04
Noncapital Grants - Student Financial Aid	2,558,833.04
Noncapital Grants	686,046.80
Noncapital Gifts and Endowments	22,415.46
Cash Provided by Noncapital Financing Activities	11,054,417.95
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	200,475.55
Capital Grants	568,390.37
Capital Gifts	1,323.00
Proceeds from Sale of Capital Assets	1,012.00
Acquisition and Construction of Capital Assets	(405,705.69)
Net Cash Provided by Capital and Related Financing Activities	365,495.23
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	890.38
Net Increase in Cash and Cash Equivalents	397,133.09
Cash and Cash Equivalents, July 1, 2015	698,413.78
Cash and Cash Equivalents, June 30, 2016	$ 1,095,546.87

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(11,222,036.68)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		460,600.41
Pension Expense		175,342.00
Miscellaneous Pension Adjustment		479.00
Nonoperating Other Income		5,334.40
Changes in Assets, Liabilities, and Deferred Outflows of Resources:		
Receivables, Net		58,496.68
Inventories		15,990.15
Prepaid Items		(16,650.76)
Accounts Payable and Accrued Liabilities		22,707.45
Unearned Revenue		(56,066.80)
Funds Held for Others		(3,285.50)
Deferred Outflows for Contributions Subsequent to the Measurement Date		(446,585.00)
Compensated Absences		(17,995.82)
Net Cash Used by Operating Activities	$	(11,023,670.47)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	650,537.70
Restricted Cash and Cash Equivalents		444,594.47
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		414.70
Total Cash and Cash Equivalents - June 30, 2016	$	1,095,546.87

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	$	8,911.74
Loss on Disposal of Capital Assets		(31,902.06)

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. **Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Tri-County 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, Tri-County Community College Foundation, Inc. (Foundation) is reported as if it was part of the College. The Foundation is governed by an 18-member board consisting of nine ex officio directors and nine elected directors. 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 elected directors of the Foundation are appointed by the members of the College Board of Trustees and the Foundation's sole purpose is to benefit the 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, 21 Campus Circle, Murphy, NC 28906, or by calling 828-837-6810.

Condensed combining information regarding the blended component unit is provided in Note 13.

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, and cash on deposit with private bank accounts.

E. **Investments** - This classification includes certificates of deposit reported at cost.

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, as well as investment earnings due to the College. Receivables are recorded net of estimated uncollectible amounts.

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method.

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

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

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

Asset Class	Estimated Useful Life
Buildings	10-100 years
Machinery & Equipment	2-30 years
General Infrastructure	10-75 years

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

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

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2015 *Comprehensive Annual Financial Report.* This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 10 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits - The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2016 was $230.00. The carrying amount of the College's deposits not with the State Treasurer, including certificates of deposit of $421,500.00 reported as investments on the Statement of Net Position, was $1,516,816.87, and the bank balance was $1,580,809.78.

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 – 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.

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.

As of June 30, 2016, the College held certificates of deposit in the amount of $421,500.00. Certificates of deposit reported as investments are also a component of the deposit total reported in the deposits section of this Note.

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	$	230.00
Carrying Amount of Deposits with Private Financial Institutions		1,516,816.87
Total Deposits and Investments	$	1,517,046.87
Deposits		
Current:		
Cash and Cash Equivalents	$	650,537.70
Restricted Cash and Cash Equivalents		444,594.47
Noncurrent:		
Restricted Cash and Cash Equivalents		414.70
Total Deposits		1,095,546.87
Investments		
Current:		
Short-Term Investments		112,000.00
Restricted Short-Term Investments		95,000.00
Noncurrent:		
Restricted Investments		214,500.00
Total Investments		421,500.00
Total Deposits and Investments	$	1,517,046.87

NOTE 3 - 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. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Earned interest on held certificates of deposits is accrued until such time that a sufficient amount exists whereby a student scholarship can be awarded agreeable to either guidelines set forth by the Foundation Board or by an established contractual relationship between a fund's donor and the College. In no case, however, is it permissible to expend or otherwise compromise the principal balance of any endowed fund without explicit Board approval, authorization, and/or a written agreement between the donor and the College. At June 30, 2016, the endowment net position of $21,067.06 was available to be spent of which the entire amount was restricted for specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 222,180.02	$ 141,551.13	$ 80,628.89
Student Sponsors	34,359.32		34,359.32
Intergovernmental	62,500.00		62,500.00
Investment Earnings	15.80		15.80
Other	37,755.36		37,755.36
Total Current Receivables	$ 356,810.50	$ 141,551.13	$ 215,259.37

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2015 (As Restated)	Increases	Decreases	Balance June 30, 2016
Capital Assets, Nondepreciable:				
Land	$ 399,458.90	$ 0.00	$ 0.00	$ 399,458.90
Construction in Progress	494,172.96	245,595.49	739,768.45	
Total Capital Assets, Nondepreciable	893,631.86	245,595.49	739,768.45	399,458.90
Capital Assets, Depreciable:				
Buildings	11,059,907.56	603,112.45		11,663,020.01
Machinery and Equipment	2,838,035.13	160,110.20	46,736.96	2,951,408.37
General Infrastructure	667,522.46	136,656.00	47,509.23	756,669.23
Total Capital Assets, Depreciable	14,565,465.15	899,878.65	94,246.19	15,371,097.61
Less Accumulated Depreciation for:				
Buildings	4,749,016.72	203,941.18		4,952,957.90
Machinery and Equipment	1,199,300.98	242,326.04	28,678.96	1,412,948.06
General Infrastructure	244,435.88	14,333.19	32,653.17	226,115.90
Total Accumulated Depreciation	6,192,753.58	460,600.41	61,332.13	6,592,021.86
Total Capital Assets, Depreciable, Net	8,372,711.57	439,278.24	32,914.06	8,779,075.75
Capital Assets, Net	$ 9,266,343.43	$ 684,873.73	$ 772,682.51	$ 9,178,534.65

NOTE 6 - 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	$ 142,815.16
Accrued Payroll	138,933.29
Total Current Accounts Payable and Accrued Liabilities	$ 281,748.45

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Net Pension Liability	$ 375,175.00	$ 885,163.00	$ 0.00	$ 1,260,338.00	$ 0.00
Compensated Absences	363,290.03	203,759.26	221,755.08	345,294.21	51,414.30
Total Long-Term Liabilities	$ 738,465.03	$ 1,088,922.26	$ 221,755.08	$ 1,605,632.21	$ 51,414.30

Additional information regarding the net pension liability is included in Note 10.

NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	$ 1,574,766.44	$ 803,180.00	$ 36,723.45	$ 734,862.99

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 3,877,209.44	$ 503,968.85	$ 483,124.55	$ 4,674.18	$ 0.00	$ 0.00	$ 4,868,977.02
Academic Support	956,254.12	29,577.50	111,520.42				1,097,352.04
Student Services	503,335.27	1,847.48	30,829.65	24,949.00			560,961.40
Institutional Support	1,507,846.51	257,354.65	424,746.36				2,189,947.52
Operations and Maintenance of Plant	350,432.00	83,298.00	311,323.95		414,124.84		1,159,178.79
Student Financial Aid				1,730,737.69			1,730,737.69
Auxiliary Enterprises		7,928.36	11,695.34				19,623.70
Depreciation						460,600.41	460,600.41
Total Operating Expenses	$ 7,195,077.34	$ 883,974.84	$ 1,373,240.27	$ 1,760,360.87	$ 414,124.84	$ 460,600.41	$ 12,087,378.57

NOTE 10 - 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 $446,584.66, and employee contributions were $292,842.40 for the year ended June 30, 2016.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2015 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the

State Controller's website at http://www.osc.nc.gov/ or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

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

Net Pension Liability: At June 30, 2016, the College reported a liability of $1,260,338.00 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 0.03420%, which was an increase of 0.00220 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%)
$ 3,793,268.72	$ 1,260,338.00	$ (889,146.31)

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 $175,342.00. 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	$ 143,300.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		136,547.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	168,963.00	
Contributions Subsequent to the Measurement Date	446,585.00	
Total	$ 615,548.00	$ 279,847.00

The amount of $446,585.00 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	$ (111,569.00)
2018	(111,569.00)
2019	(111,688.00)
2020	223,942.00
Total	$ (110,884.00)

NOTE 11 - 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 $273,319.58, $263,511.86, and $243,095.28, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

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

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2016, the College made a statutory contribution of .41% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2015, and 2014, were .41% and .44%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2016, 2015, and 2014, which were $20,010.90, $19,679.39, and $19,807.76, 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 12 - RISK MANAGEMENT

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

A. Public Entity Risk Pool

Public School Insurance Fund

Fire and other property losses are covered by the Public School Insurance Fund (Fund), a state-administered public entity risk pool. The Fund is financed by premiums and interest collected through membership participation and retains a $10 million deductible per occurrence.

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

B. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

C. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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. Losses from county and institutional fund paid employees are covered 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 in the current fiscal year regarding cybercrime and fraud protection. As part of the College's risk mitigation plan, coverage pertaining to security and liability, regulatory action, event management, and cyber extortion was acquired. Covered limits for each component range from $500,000 to $1,000,000.

NOTE 13 - 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

	TCCC	TCCC Foundation	Total
ASSETS			
Current Assets	$ 1,426,031.17	$ 240,743.30	$ 1,666,774.47
Capital Assets	9,178,534.65		9,178,534.65
Other Noncurrent Assets	18,000.00	196,914.70	214,914.70
Total Assets	10,622,565.82	437,658.00	11,060,223.82
TOTAL DEFERRED OUTFLOWS OF RESOURCES	615,548.00		615,548.00
LIABILITIES			
Current Liabilities	367,329.86	4,744.29	372,074.15
Long-Term Liabilities	1,554,217.91		1,554,217.91
Total Liabilities	1,921,547.77	4,744.29	1,926,292.06
TOTAL DEFERRED INFLOWS OF RESOURCES	279,847.00		279,847.00
NET POSITION			
Investment in Capital Assets	9,178,534.65		9,178,534.65
Restricted - Nonexpendable	18,000.00	200,129.70	218,129.70
Restricted - Expendable	343,717.54	169,259.71	512,977.25
Unrestricted	(503,533.14)	63,524.30	(440,008.84)
Total Net Position	$ 9,036,719.05	$ 432,913.71	$ 9,469,632.76

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

	TCCC	TCCC Foundation	Total
OPERATING REVENUES			
Student Tuition and Fees, Net	$ 734,862.99	$ 0.00	$ 734,862.99
Sales and Services	80,802.17		80,802.17
Other Operating Revenues	20,364.63	29,312.10	49,676.73
Total Operating Revenues	836,029.79	29,312.10	865,341.89
OPERATING EXPENSES			
Operating Expenses Excluding Depreciation	11,577,852.54	48,925.62	11,626,778.16
Depreciation	460,600.41		460,600.41
Total Operating Expenses	12,038,452.95	48,925.62	12,087,378.57
Operating Loss	(11,202,423.16)	(19,613.52)	(11,222,036.68)
NONOPERATING REVENUES (EXPENSES)			
State Aid	6,747,542.61		6,747,542.61
County Appropriations	1,039,580.04		1,039,580.04
Noncapital Grants - Student Financial Aid	2,558,833.04		2,558,833.04
Noncapital Grants	662,229.09	4,879.45	667,108.54
Noncapital Gifts	10,286.46	11,973.00	22,259.46
Investment Income	607.63	268.63	876.26
Other Nonoperating Expenses	(26,567.66)		(26,567.66)
Net Nonoperating Revenues	10,992,511.21	17,121.08	11,009,632.29
Capital Contributions	562,460.92	1,323.00	563,783.92
Additions to Endowments		156.00	156.00
Increase (Decrease) in Net Position	352,548.97	(1,013.44)	351,535.53
NET POSITION			
Net Position, July 1, 2015, as Restated (see Note 15)	8,684,170.08	433,927.15	9,118,097.23
Net Position, June 30, 2016	$ 9,036,719.05	$ 432,913.71	$ 9,469,632.76

Condensed Statement of Cash Flows
June 30, 2016

	TCCC	TCCC Foundation	Total
Net Cash Used by Operating Activities	$ (11,008,801.24)	$ (14,869.23)	$ (11,023,670.47)
Cash Provided by Noncapital Financing Activities	10,976,409.50	78,008.45	11,054,417.95
Net Cash Provided by Capital and Related Financing Activities	364,172.23	1,323.00	365,495.23
Net Cash Provided (Used) by Investing Activities	5,353.22	(4,462.84)	890.38
Net Increase in Cash and Cash Equivalents	337,133.71	59,999.38	397,133.09
Cash and Cash Equivalents, July 1, 2015	597,009.02	101,404.76	698,413.78
Cash and Cash Equivalents, June 30, 2016	$ 934,142.73	$ 161,404.14	$ 1,095,546.87

NOTE 14 - 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.

NOTE 15 - NET POSITION RESTATEMENT

As of July 1, 2015, net position as previously reported was restated as follows:

	Amount
July 1, 2015 Net Position as Previously Reported	$ 8,964,609.44
Restatement:	
Record Capital Assets and Adjust Accumulated Depreciation	153,487.79
July 1, 2015 Net Position as Restated	$ 9,118,097.23

REQUIRED SUPPLEMENTARY INFORMATION

Tri-County 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

	2015	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	0.03420%	0.03200%	0.03030%
Proportionate Share of TSERS Collective Net Pension Liability	$ 1,260,338.00	$ 375,175.00	$ 1,839,519.00
Covered-Employee Payroll	$ 4,799,851.67	$ 4,501,764.52	$ 4,470,379.80
Net Pension Liability as a Percentage of Covered-Employee Payroll	26.26%	8.33%	41.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%

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

	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 446,584.66	$ 439,186.43	$ 391,203.34	$ 372,382.64	$ 312,619.29
Contributions in Relation to the Contractually Determined Contribution	446,584.66	439,186.43	391,203.34	372,382.64	312,619.29
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 4,880,706.70	$ 4,799,851.67	$ 4,501,764.52	$ 4,470,379.80	$ 4,201,871.82
Contributions as a Percentage of Covered-Employee Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

	2011	2010	2009	2008	2007
Contractually Required Contribution	$ 218,969.72	$ 153,936.83	$ 143,938.53	$ 130,648.76	$ 114,682.72
Contributions in Relation to the Contractually Determined Contribution	218,969.72	153,936.83	143,938.53	130,648.76	114,682.72
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 4,441,576.47	$ 4,311,955.95	$ 4,283,884.71	$ 4,283,565.87	$ 4,311,380.63
Contributions as a Percentage of Covered-Employee Payroll	4.93%	3.57%	3.36%	3.05%	2.66%

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

Changes of Benefit Terms:

Cost of Living Increase

2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
1.00%	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

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

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

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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

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

Board of Trustees
Tri-County Community College
Murphy, 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 Tri-County 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 March 28, 2017. Our report includes a reference to other auditors who audited the financial statements of Tri-County Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Tri-County Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Tri-County Community College Foundation, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 28, 2017

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

NC OSA
The Taxpayers' Watchdog

This audit required 284.5 audit hours at an approximate cost of $29,304.