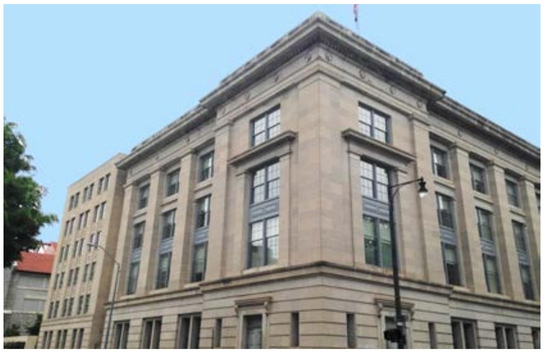
# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA




# WAYNE COMMUNITY COLLEGE

GOLDSBORO, 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

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# AUDITOR'S TRANSMITTAL

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

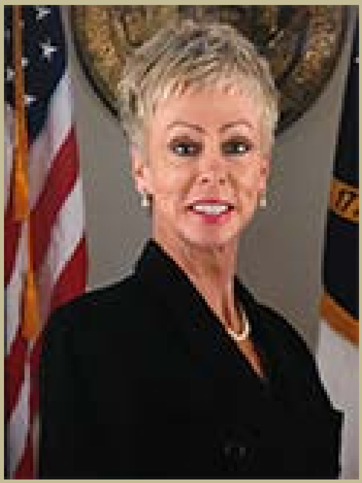
We have completed a financial statement audit of Wayne Community College for the year ended June 30, 2016, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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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# INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA

# Office of the State Auditor

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State Auditor

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wayne Community College
Goldsboro, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 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 2, 2017

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Wayne 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, and June 30, 2015. Since this 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 the notes to the financial statements. Responsibility for the completeness and fairness of this information rests with the College.

**Overview of Financial Statements**

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position are the two financial statements that report information about the College and about its activities that should help answer a question like: "Is the College better off or worse off as a result of this year's activities?"

The Statement of Net Position presents all of the College's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as "net position". Over time, increases and decreases in net position measure whether the College's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position present information showing how the net position changed during the fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. deferred revenue and earned but unused vacation leave).

The Statement of Cash Flows provides information regarding the College's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities. The statement reconciles the beginning cash as of July 1, 2015 to the ending cash as of June 30, 2016.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statements. Notes to these financial statements may be found at the end of this report.

**Financial Statement Presentation**

The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The Statement of Net Position combines and consolidates current financial resources (short-term consumable resources) with capital assets. The focus of the Statement of Revenues, Expenses and Changes in Net Position is designed to be similar to bottom line results for the College. This statement focuses on both the gross costs and the net costs of College activities that are supported mainly by state, local, federal and other revenues. This approach is intended to summarize and simplify the user's analysis of costs of various College services to students and the public.

## Statement of Net Position

The following condensed statement of net position compares the current year information with the prior year and indicates the monetary and percentage increase or decrease between years.

Condensed Statement of Net Position

| | 2016 | 2015 (As Restated) | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Current Assets | $ 5,336,534.67 | $ 4,480,077.31 | $ 856,457.36 | 19.12% |
| Capital Assets, Net | 33,069,970.73 | 32,943,280.62 | 126,690.11 | 0.38% |
| Other Assets | 16,000.00 | 319,066.19 | (303,066.19) | -94.99% |
| Total Assets | 38,422,505.40 | 37,742,424.12 | 680,081.28 | 1.80% |
| Deferred Outflows Related to Pensions | 1,494,603.00 | 1,411,555.00 | 83,048.00 | 5.88% |
| Current Liabilities | 1,015,795.40 | 839,111.98 | 176,683.42 | 21.06% |
| Long-Term Liabilities | 4,149,593.36 | 1,817,793.48 | 2,331,799.88 | 128.28% |
| Total Liabilities | 5,165,388.76 | 2,656,905.46 | 2,508,483.30 | 94.41% |
| Deferred Inflows Related to Pensions | 781,608.00 | 3,951,605.00 | (3,169,997.00) | -80.22% |
| Net Position | | | | |
| Investment in Capital Assets | 33,069,970.73 | 32,943,280.62 | 126,690.11 | 0.38% |
| Restricted | 1,259,586.58 | 971,103.10 | 288,483.48 | 29.71% |
| Unrestricted | (359,445.67) | (1,368,915.06) | 1,009,469.39 | -73.74% |
| Total Net Position | $ 33,970,111.64 | $ 32,545,468.66 | $ 1,424,642.98 | 4.38% |

During the current fiscal year, the College's total assets increased by $680,081.28 (1.80%). All three categories had significant changes that will be discussed in the following paragraph.

Current assets increased due in large part to the increase in cash and cash equivalents. Last year the College had two Golden Leaf grants that had not been reimbursed to the College until this year. Golden Leaf owed the College $299,279.84 last year, and this amount was received this year. Additionally, the College received a $250,000.00 grant from Duke Energy Progress for the Welding Department. The check was received up front, but none of the funds had been spent as of the end of the year. County current cash increased by $235,286.54. During the current year, county cash increased because county cash received for current operations exceeded the operating expenses for the current year. The county cash surplus will be carried forward to the 2016-2017 fiscal year and has been earmarked for several maintenance projects around the campus. The increase in capital assets resulted partly due to purchases of equipment totaling $1,321,387.82 while the depreciation expense was $1,148,981.34. In addition, there were several assets that were cannibalized and one sold during the year which had a remaining value of $45,716.37. Other assets decreased since the receivable of $250,000.00 from the Golden LEAF grant from last year was paid to the College in the current year. In addition, the Wayne Learning Center Renovations receivable also decreased by $25,940.30 from the 2014-2015 fiscal year leaving no balance for the current fiscal year.

Current liabilities increased in large part due to accounts payable and accrued payroll. Accounts payable had copier lease invoices from Executive Leasing totaling $111,152.40 that were due for the 2015-2016 year but not received until August. Last year those invoices were paid in the 2014-2015 before year-end. In addition, accrued payroll increased $17,249.03 from last year to the current year.

Long-term liabilities are made up of two components: 1) compensated absences and 2) net pension liability. For compensated absences, last year's long-term liability was $723,690.48 and current year is $629,492.36. The difference is a decrease of $94,198.12. On the other hand, last year's net pension liability was $1,094,103.00; whereas the net pension liability for the current year is $3,520,101.00. This change increases long-term liabilities. The reason for the increase in net pension liability was due in large part to a significant decrease in actual investment earnings as compared to actuarial estimates. This decrease in investment earnings also accounts for the majority of the decrease in deferred inflows related to pensions.

Unrestricted net position increased based on two events. The first was affected by pension expense for the 2015-2016 year. Pension expense decreased by the contributions made of $1,248,103.00 for the year and increased by the recognized pension expense of $420,674.00. The difference was a reduction in unrestricted expenses by $827,429.00 which in return increased unrestricted net position. In addition, county net operational income was $237,036.17. The College was allocated additional operating appropriations from the county for the operations of a new Wayne Advance Manufacturing facility. The facility could not be used until the renovations were completed. Due to delays in the renovations, the facility was not fully operational and, therefore, the funding for the operations was not completely expended.

## Statement of Revenues, Expenses, and Changes in Net Position

The following comparative statement for fiscal years ending 2016 and 2015 reflects the monetary and percentage increase or decrease in reported revenues and expenses between years.

Condensed Statement of Revenues, Expenses and Changes in Net Position

| | 2016 | 2015 (As Restated) | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Operating Revenues: | | | | |
| Student Tuition and Fees, Net | $ 2,833,225.14 | $ 2,710,494.60 | $ 122,730.54 | 4.53% |
| State and Local Grants and Contracts | 16,000.00 | 9,000.00 | 7,000.00 | 43.75% |
| Sales and Services, Net | 614,109.52 | 608,454.73 | 5,654.79 | 0.93% |
| Other Operating Revenues | 16,354.30 | 13,635.70 | 2,718.60 | 19.94% |
| Total Operating Revenues | 3,479,688.96 | 3,341,585.03 | 138,103.93 | 4.13% |
| Operating Expenses: | | | | |
| Salaries and Benefits | 20,101,743.71 | 19,947,809.12 | 153,934.59 | 0.77% |
| Supplies and Materials | 2,854,572.07 | 2,819,664.22 | 34,907.85 | 1.24% |
| Services | 2,856,990.95 | 2,623,068.26 | 233,922.69 | 8.92% |
| Scholarships and Fellowships | 4,387,557.24 | 4,697,789.87 | (310,232.63) | -6.60% |
| Utilities | 628,265.44 | 610,087.90 | 18,177.54 | 2.98% |
| Depreciation Expense | 1,148,981.34 | 1,130,457.01 | 18,524.33 | 1.64% |
| Total Operating Expenses | 31,978,110.75 | 31,828,876.38 | 149,234.37 | 0.47% |
| Operating Loss | (28,498,421.79) | (28,487,291.35) | 11,130.44 | 0.04% |
| Nonoperating and Other Revenues: | | | | |
| State Aid | 16,529,234.65 | 16,356,296.76 | 172,937.89 | 1.06% |
| County Appropriations | 3,616,627.00 | 3,328,685.00 | 287,942.00 | 8.65% |
| Noncapital Grants and Gifts | 7,728,051.46 | 8,161,938.67 | (433,887.21) | -5.32% |
| Other Nonoperating Revenues | 38,025.44 | 2,268.15 | 35,757.29 | 1576.50% |
| State Capital Aid | 721,219.14 | 591,453.82 | 129,765.32 | 21.94% |
| County Capital Aid | 410,659.53 | 298,116.69 | 112,542.84 | 37.75% |
| Capital Grants | 879,247.55 | 184,368.33 | 694,879.22 | 376.90% |
| Total Nonoperating and Other Revenues | 29,923,064.77 | 28,923,127.42 | 999,937.35 | 3.46% |
| Change in Net Position | 1,424,642.98 | 435,836.07 | 988,806.91 | 226.88% |
| Net Position - Beginning of Year | 32,545,468.66 | 32,109,632.59 | 435,836.07 | 1.36% |
| Net Position - End of Year | $ 33,970,111.64 | $ 32,545,468.66 | $ 1,424,642.98 | 4.38% |

Fiscal Year 2015-2016 total revenues are $33,402,753.73 and total expenses are $31,978,110.75.

Fiscal Year 2014-2015 total revenues are $32,264,712.45 and total expenses are $31,828,876.38

The increase in student tuition and fees resulted from a variety of different factors. Student enrollment for 2014-2015 was 8,038, while enrollment for 2015-2016 was 8,011. Enrollment was flat from prior year to the current year; however, the tuition was increased from $72.00 a credit hour in the 2014-2015 fiscal year to $76.00 a credit hour in the 2015-2016 fiscal year. Also, tuition discounting reduces the amount of tuition paid by financial aid which is recognized in noncapital grants. Since less financial aid was used in 2015-2016 to pay for tuition, a smaller amount of tuition discounting was calculated which in turn increased the student tuition and fees. This accounts for the majority of the increase for student tuition & fees.

Total operating expenses increased by $149,234.37 (.47%). Salaries and benefits increased based on several factors. Medical Insurance per person for the 2014-2015 year was $448.12; while for the majority of 2015-2016 year, the amount was $463.68. Furthermore, the College provided salary increases of $161,000.00 from a special legislative allocation. In addition, the College awarded each employee a bonus of $750.00 per full-time employee. Services also increased during the year. The College spent $64,668.57 more funds on advertising to reach all potential students that were not currently enrolled. Repairs to facilities increased $98,737.14 due to repairs to the College's underground utility pipes for heating and cooling. Scholarships and fellowships decreased based on two main factors. The most notable is the decrease in federal Pell awards of $534,829.32. Also, the tuition discounting related to federal Pell decreased by $162,522.50. Since tuition discounting is a contra account to scholarships and fellowships, the net effect of the two decreases which amounts to $372,306.82 accounts for the majority of the decrease in scholarship and fellowships. Federal Pell decrease significantly because the number of students receiving aid fell from 1921 students in 2014-2015 to 1748 student in 2015-2016.

Nonoperating revenues increased by $999,937.35 (3.46%). The increase is a combination of higher revenues in several areas as well as diminishing revenues in one area. State aid increased $172,937.89. The increase in state aid is directly tied to the amount of state expenditures. Therefore, in order to cover additional expenditures for the current year, more state aid was requested. County appropriations were increased in an effort to assist the College with the operations of a new Wayne Advance Manufacturing facility. Noncapital grants and gifts decreased due to a combination of an increase in the Federal Supplemental Educational Opportunity Grant program of $44,079.20, an increase in the College Work Study program of $35,029.25 and a decrease in the Federal Pell program of $534,829.32. The net effect of these increases and decreases equals a $455,720.87 decrease, which accounts for the majority of the difference between this year and last year. Other nonoperating revenues was affected by the loss on the sale of fixed assets. Last year, the College recognized a $96,705.28 loss and only a $44,888.38 loss for the current year. The difference of $51,816.90 is the majority of the increase in income. Both state and county capital aid are tied directly to the amount of capital expenditures that are incurred during the year. Therefore, additional capital purchases were incurred during the current year for both state and county funds. In the current year, $750,000.00 of grant money from Duke Energy Progress was received by the College. There were three $250,000.00 grants received. Each one was received for the purchase of equipment in the program areas of Welding, Computer-Integrated Machining, and Advanced Manufacturing. These grants were the determining factor in the increase of capital grants.

### Capital Assets

The following schedule compares capital assets for the fiscal years 2016 and 2015, net of accumulated depreciation.

| | 2016 | 2015 | Increase (Decrease) | Percent Change |
|---|---|---|---|---|
| Land | $ 1,876,665.63 | $ 1,876,665.63 | $ 0.00 | 0% |
| Buildings, Net | 22,163,877.04 | 22,919,141.20 | (755,264.16) | -3% |
| Machinery and Equipment, Net | 7,775,527.96 | 6,870,876.05 | 904,651.91 | 13% |
| General Infrastructure, Net | 1,253,900.10 | 1,276,597.74 | (22,697.64) | -2% |
| Totals | $ 33,069,970.73 | $ 32,943,280.62 | $ 126,690.11 | 0% |

At June 30, 2016, net capital assets of $33,069,970.73 represents $51,810,093.17 invested in capital assets less $18,740,122.44 in accumulated depreciation. The decreases of $755,264.16 for buildings and $22,697.64 for general infrastructure are due to the depreciation expense for the year. The increase of machinery and equipment by $904,651.91 is mainly attributable to additions of fixed assets. The additions to equipment totaled $1,321,387.82 while current year's depreciation amounted to only $371,019.54.

**Economic Factors**

The major source of funding for the College is from the State of North Carolina and the level of this support is one of the key factors influencing the College's financial condition and its ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. State aid and state capital aid constituted approximately 51.6% of the College's total revenues for fiscal year 2015-16 – 64.4% excluding financial aid (noncapital grants).

Most of the state funding the College receives is based on enrollment. There are a variety of formulas to allocated funds per FTE (full-time equivalent), and those have changed only a little over the past few years. The College's FTE enrollment decreased 3.6% in Curriculum, 5.2% in Occupational Extension and 15.8% in Basic Skills.

Although state funding for the College has actually decreased, increased budget flexibility allows the transfer of funds as needs arise. The College has also ramped up efforts to obtain grant funding. Consequently, there are no plans to increase workloads, cap enrollment, or implement a reduction in force.

# FINANCIAL STATEMENTS

# *Wayne Community College*
# *Statement of Net Position*
# *June 30, 2016*



| | |
|---|---|
| **ASSETS** | |
| Current Assets: | |
| Cash and Cash Equivalents | $ 3,213,576.57 |
| Restricted Cash and Cash Equivalents | 1,405,952.47 |
| Receivables, Net (Note 5) | 460,287.49 |
| Inventories | 256,718.14 |
| Total Current Assets | 5,336,534.67 |
| Noncurrent Assets: | |
| Restricted Cash and Cash Equivalents | 16,000.00 |
| Capital Assets - Nondepreciable (Note 6) | 1,876,665.63 |
| Capital Assets - Depreciable, Net (Note 6) | 31,193,305.10 |
| Total Noncurrent Assets | 33,085,970.73 |
| Total Assets | 38,422,505.40 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred Outflows Related to Pensions | 1,494,603.00 |
| **LIABILITIES** | |
| Current Liabilities: | |
| Accounts Payable and Accrued Liabilities (Note 7) | 457,024.98 |
| Unearned Revenue | 245,212.03 |
| Funds Held for Others | 184,808.93 |
| Long-Term Liabilities - Current Portion (Note 8) | 128,749.46 |
| Total Current Liabilities | 1,015,795.40 |
| Noncurrent Liabilities: | |
| Long-Term Liabilities (Note 8) | 4,149,593.36 |
| Total Liabilities | 5,165,388.76 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred Inflows Related to Pensions | 781,608.00 |

### NET POSITION

| | |
|---|---|
| Investment in Capital Assets | 33,069,970.73 |
| Restricted for: | |
| Nonexpendable: | |
| Scholarships and Fellowships | 16,000.00 |
| Expendable: | |
| Scholarships and Fellowships | 66,135.38 |
| Loans | 17,246.86 |
| Restricted for Specific Programs | 993,681.12 |
| Other | 166,523.22 |
| Unrestricted | (359,445.67) |
| Total Net Position | $ 33,970,111.64 |

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

***Wayne 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) | $ | 2,833,225.14 |
| State and Local Grants and Contracts | | 16,000.00 |
| Sales and Services, Net (Note 10) | | 614,109.52 |
| Other Operating Revenues | | 16,354.30 |
| Total Operating Revenues | | 3,479,688.96 |
| **EXPENSES** | | |
| Operating Expenses: | | |
| Salaries and Benefits | | 20,101,743.71 |
| Supplies and Materials | | 2,854,572.07 |
| Services | | 2,856,990.95 |
| Scholarships and Fellowships | | 4,387,557.24 |
| Utilities | | 628,265.44 |
| Depreciation | | 1,148,981.34 |
| Total Operating Expenses | | 31,978,110.75 |
| Operating Loss | | (28,498,421.79) |
| **NONOPERATING REVENUES** | | |
| State Aid | | 16,529,234.65 |
| County Appropriations | | 3,616,627.00 |
| Noncapital Grants - Student Financial Aid | | 6,612,934.73 |
| Noncapital Grants | | 752,883.76 |
| Noncapital Gifts | | 362,232.97 |
| Investment Income | | 31,540.51 |
| Other Nonoperating Revenues | | 6,484.93 |
| Nonoperating Revenues | | 27,911,938.55 |
| Loss Before Other Revenues | | (586,483.24) |
| State Capital Aid | | 721,219.14 |
| County Capital Aid | | 410,659.53 |
| Capital Grants | | 879,247.55 |
| Increase in Net Position | | 1,424,642.98 |
| **NET POSITION** | | |
| Net Position, July 1, 2015 | | 32,545,468.66 |
| Net Position, June 30, 2016 | $ | 33,970,111.64 |

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

# *Wayne Community College*
# *Statement of Cash Flows* — *Exhibit A-3*
# *For the Fiscal Year Ended June 30, 2016*



| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Received from Customers | $ 3,497,023.80 |
| Payments to Employees and Fringe Benefits | (20,970,857.20) |
| Payments to Vendors and Suppliers | (6,196,869.80) |
| Payments for Scholarships and Fellowships | (4,387,557.24) |
| Other Receipts | 197,909.98 |
| Net Cash Used by Operating Activities | (27,860,350.46) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| State Aid Received | 16,529,234.65 |
| County Appropriations | 3,616,627.00 |
| Noncapital Grants - Student Financial Aid | 6,608,620.32 |
| Noncapital Grants | 763,797.17 |
| Noncapital Gifts | 362,232.97 |
| Cash Provided by Noncapital Financing Activities | 27,880,512.11 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| State Capital Aid Received | 748,096.07 |
| County Capital Aid | 410,659.53 |
| Capital Grants | 1,129,247.55 |
| Proceeds from Sale of Capital Assets | 827.99 |
| Acquisition of Capital Assets | (1,321,387.82) |
| Net Cash Provided by Capital and Related Financing Activities | 967,443.32 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Investment Income | 31,540.51 |
| Cash Provided by Investing Activities | 31,540.51 |
| Net Increase in Cash and Cash Equivalents | 1,019,145.48 |
| Cash and Cash Equivalents, July 1, 2015 | 3,616,383.56 |
| Cash and Cash Equivalents, June 30, 2016 | $ 4,635,529.04 |

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

| | |
|---|---|
| Operating Loss | $ (28,498,421.79) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | |
| Depreciation Expense | 1,148,981.34 |
| Pension Expense | 420,674.00 |
| Miscellaneous Pension Adjustments | 382.00 |
| Nonoperating Other Income | 51,373.31 |
| Changes in Assets, Liabilities, and Deferred Outflows of Resources: | |
| Receivables, Net | 171,286.83 |
| Inventories | 10,995.98 |
| Accounts Payable and Accrued Liabilities | 148,829.71 |
| Unearned Revenue | (40,625.03) |
| Funds Held for Others | 33,209.71 |
| Deferred Outflows for Contributions Subsequent to the Measurement Date | (1,248,103.00) |
| Compensated Absences | (58,933.52) |
| Net Cash Used by Operating Activities | $ (27,860,350.46) |

## RECONCILIATION OF CASH AND CASH EQUIVALENTS

| | |
|---|---|
| Current Assets: | |
| Cash and Cash Equivalents | $ 3,213,576.57 |
| Restricted Cash and Cash Equivalents | 1,405,952.47 |
| Noncurrent Assets: | |
| Restricted Cash and Cash Equivalents | 16,000.00 |
| Total Cash and Cash Equivalents - June 30, 2016 | $ 4,635,529.04 |

## NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

| | |
|---|---|
| Loss on Disposal of Capital Assets | $ (44,888.38) |

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

## *The Foundation of Wayne Community College, Inc.*
## *Statement of Financial Position*
## *June 30, 2016* — *Exhibit B-1*

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ | 956,836 |
| Investments | | 3,855,092 |
| Real Estate Held for Resale | | 848,000 |
| Pledges Receivable | | 5,943 |
| Property and Equipment, Nondepreciable | | 27,770 |
| Total Assets | | 5,693,641 |
| **LIABILITIES** | | |
| Total Liabilities | | 0 |
| **NET ASSETS** | | |
| Unrestricted | | 788,727 |
| Temporarily Restricted | | 2,469,631 |
| Permanently Restricted | | 2,435,283 |
| Total Net Assets | | 5,693,641 |
| Total Liabilities and Net Assets | $ | 5,693,641 |

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

## *The Foundation of Wayne Community College, Inc.*
## *Statement of Activities*
## *For the Fiscal Year Ended June 30, 2016* — *Exhibit B-2*

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **REVENUES, GAINS, AND OTHER SUPPORT** | | | | |
| Golf Tournament | $ 0 | $ 196,513 | $ 0 | $ 196,513 |
| Interest and Investment Income | 17,149 | 56,337 | 13 | 73,499 |
| Contributions | 140,845 | 158,393 | 105,165 | 404,403 |
| Rental Income | | 90,472 | | 90,472 |
| Doated Real Estate | | 843,000 | | 843,000 |
| Donated Services and Facilities | 248,161 | | | 248,161 |
| Unrealized / Realized Loss | (27,714) | (133,661) | | (161,375) |
| Total Revenues, Gains, and Other Support | 378,441 | 1,211,054 | 105,178 | 1,694,673 |
| Net Assets Released from Restrictions | 331,971 | (331,971) | | |
| **EXPENSES** | | | | |
| Awards, Gifts, and Scholarships | 355,528 | | | 355,528 |
| Fund Raising Expenses | 275,069 | | | 275,069 |
| Administrative | 94,147 | | | 94,147 |
| Total Expenses | 724,744 | | | 724,744 |
| Change in Net Assets | (14,332) | 879,083 | 105,178 | 969,929 |
| **NET ASSETS** | | | | |
| Net Assets at Beginning of Year | 862,912 | 845,089 | 3,015,711 | 4,723,712 |
| Restatement | (59,853) | 745,459 | (685,606) | |
| Net Assets at End of Year | $ 788,727 | $ 2,469,631 | $ 2,435,283 | $ 5,693,641 |

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. Wayne Community College is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

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

**Discretely Presented Component Unit** - The Foundation of Wayne Community College, Inc. (Foundation) is a legally separate, nonprofit tax-exempt corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 25 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2016, the Foundation distributed $318,597.32 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Executive Director of The Foundation of Wayne Community College, Inc., 3000 Wayne Memorial Drive, Goldsboro, NC 27534.

**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. Additional information regarding the fair value measurement of investments is disclosed in Note 3.

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

**F. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using first-in, first-out method.

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

The 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 | 50 years |
| Machinery & Equipment | 10-40 years |
| General Infrastructure | 50-75 years |

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

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

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

J. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each 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.

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

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

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

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

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

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

L. **Scholarship Discounts** - Student tuition and fees revenues 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.

M. **Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as

(1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, state, and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9 - *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

N. **Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as a central store. 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.

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 as approved by the county commissioners.

## NOTE 2 - DEPOSITS AND INVESTMENTS

**College** - The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling $1,355.00, and deposits in private financial institutions with a carrying value of $57,775.14 and a bank balance of $226,827.42.

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

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

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

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

At June 30, 2016, the amount shown on the Statement of Net Position as cash and cash equivalents includes $4,576,398.90 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2016. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at http://www.osc.nc.gov/ or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

**Component Unit** - Investments of the College's discretely presented component unit, The Foundation of Wayne Community College, Inc.

(Foundation) are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. At June 30, 2016, the Foundation held investments with First Citizens Bank. As of June 30, 2016, the cost of the investments was $3,810,801.00; the gross cumulative unrealized gain was $44,291.00 which results in total investments of $3,855,092.00. At June 30, 2016, the amount shown on the Statement of Financial Position of The Foundation of Wayne Community College, Inc. as cash and cash equivalents includes $956,233.00 which represents the Foundation's equity position in the State Treasurer's Short-Term Investment Fund.

## NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

**Short-Term Investment Fund –** At year-end, all of the College's investments valued at $4,576,398.90 were held in the STIF which is a Level 2 investment.

Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian.

**Component Unit** - Fair value is defined 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. The accounting guidance includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability; and

Level 3 – Unobservable inputs for the asset or liability, which includes management's own assumption about the assumptions market participants would use in pricing the asset or liability, including assumptions about risk.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2016.

Assets at Fair Values as of June 30, 2016

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash & Cash Equivalents | $ 603 | $ 956,233 | $ 0 | $ 956,836 |
| Pledges Receivable | 5,943 | | | 5,943 |
| Investments | 3,855,092 | | | 3,855,092 |
| Land & Real Estate | | | 875,770 | 875,770 |
| Total Assets at Fair Value | $ 3,861,638 | $ 956,233 | $ 875,770 | $ 5,693,641 |

## NOTE 4 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with state agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2016, interest earnings of $149.58 were available to be spent from endowment funds.

## NOTE 5 - RECEIVABLES

Receivables at June 30, 2016, were as follows:

| | Gross Receivables | Allowance for Doubtful Accounts | Net Receivables |
|---|---|---|---|
| Current Receivables: | | | |
| Students | $ 243,759.97 | $ 13,136.50 | $ 230,623.47 |
| Student Sponsors | 124,476.16 | 1,621.98 | 122,854.18 |
| Accounts | 1,881.33 | | 1,881.33 |
| Intergovernmental | 104,928.51 | | 104,928.51 |
| Total Current Receivables | $ 475,045.97 | $ 14,758.48 | $ 460,287.49 |

## NOTE 6 - CAPITAL ASSETS

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

| | Balance July 1, 2015 | Increases | Decreases | Balance June 30, 2016 |
|---|---|---|---|---|
| Capital Assets, Nondepreciable: | | | | |
| Land | $ 1,876,665.63 | $ 0.00 | $ 0.00 | $ 1,876,665.63 |
| Total Capital Assets, Nondepreciable | 1,876,665.63 | | | 1,876,665.63 |
| Capital Assets, Depreciable: | | | | |
| Buildings | 37,763,203.58 | | | 37,763,203.58 |
| Machinery and Equipment | 9,462,839.41 | 1,321,387.82 | 163,292.04 | 10,620,935.19 |
| General Infrastructure | 1,549,288.77 | | | 1,549,288.77 |
| Total Capital Assets, Depreciable | 48,775,331.76 | 1,321,387.82 | 163,292.04 | 49,933,427.54 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 14,844,062.38 | 755,264.16 | | 15,599,326.54 |
| Machinery and Equipment | 2,591,963.36 | 371,019.54 | 117,575.67 | 2,845,407.23 |
| General Infrastructure | 272,691.03 | 22,697.64 | | 295,388.67 |
| Total Accumulated Depreciation | 17,708,716.77 | 1,148,981.34 | 117,575.67 | 18,740,122.44 |
| Total Capital Assets, Depreciable, Net | 31,066,614.99 | 172,406.48 | 45,716.37 | 31,193,305.10 |
| Capital Assets, Net | $ 32,943,280.62 | $ 172,406.48 | $ 45,716.37 | $ 33,069,970.73 |

## 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 | $ 150,097.56 |
| Accrued Payroll | 305,977.73 |
| Intergovernmental Payables | 949.69 |
| Total Current Accounts Payable and Accrued Liabilities | $ 457,024.98 |

## 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 | $ 1,094,103.00 | $ 2,425,998.00 | $ 0.00 | $ 3,520,101.00 | $ 0.00 |
| Compensated Absences | 817,175.34 | 622,414.22 | 681,347.74 | 758,241.82 | 128,749.46 |
| Total Long-Term Liabilities | $ 1,911,278.34 | $ 3,048,412.22 | $ 681,347.74 | $ 4,278,342.82 | $ 128,749.46 |

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

## NOTE 9 - OPERATING LEASE OBLIGATIONS

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

| Fiscal Year | Amount |
|---|---|
| 2017 | $ 221,745.12 |
| 2018 | 221,325.12 |
| 2019 | 221,325.12 |
| 2020 | 221,325.12 |
| Total Minimum Lease Payments | $ 885,720.48 |

Rental expense for all operating leases during the year was $175,590.60.

## NOTE 10 - REVENUES

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

| | Gross Revenues | Internal Sales Eliminations | Less Scholarship Discounts | Less Allowance for Uncollectibles | Net Revenues |
|---|---|---|---|---|---|
| Operating Revenues: | | | | | |
| Student Tuition and Fees, Net | $ 5,442,115.57 | $ 0.00 | $ 2,649,651.24 | $ (40,760.81) | $ 2,833,225.14 |
| Sales and Services: | | | | | |
| Sales and Services of Auxiliary Enterprises: | | | | | |
| Student Union Services | 22,953.87 | | | | 22,953.87 |
| Bookstore | 175,225.98 | | | | 175,225.98 |
| Preschool | 357,269.67 | | | | 357,269.67 |
| Other | 31,603.79 | 4,795.44 | | | 26,808.35 |
| Sales and Services of Education and Related Activities | 31,851.65 | | | | 31,851.65 |
| Total Sales and Services, Net | $ 618,904.96 | $ 4,795.44 | $ 0.00 | $ 0.00 | $ 614,109.52 |

## NOTE 11 - OPERATING EXPENSES BY FUNCTION

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

| | Salaries and Benefits | Supplies and Materials | Services | Scholarships and Fellowships | Utilities | Depreciation | Total |
|---|---|---|---|---|---|---|---|
| Instruction | $ 11,987,732.08 | $ 1,027,506.34 | $ 442,746.97 | $ 0.00 | $ 0.00 | $ 0.00 | $ 13,457,985.39 |
| Public Service | | 6,827.73 | 10,538.73 | | | | 17,366.46 |
| Academic Support | 1,903,089.78 | 237,157.46 | 90,825.19 | | | | 2,231,072.43 |
| Student Services | 1,612,361.25 | 116,379.11 | 241,845.84 | 76,176.41 | | | 2,046,762.61 |
| Institutional Support | 3,297,657.08 | 986,655.17 | 1,211,382.44 | | | | 5,495,694.69 |
| Operations and Maintenance of Plant | 1,300,903.52 | 472,245.95 | 729,675.37 | | 628,265.44 | | 3,131,090.28 |
| Student Financial Aid | | | 24,993.27 | 4,311,373.72 | | | 4,336,366.99 |
| Auxiliary Enterprises | | 7,800.31 | 104,983.14 | 7.11 | | | 112,790.56 |
| Depreciation | | | | | | 1,148,981.34 | 1,148,981.34 |
| Total Operating Expenses | $ 20,101,743.71 | $ 2,854,572.07 | $ 2,856,990.95 | $ 4,387,557.24 | $ 628,265.44 | $ 1,148,981.34 | $ 31,978,110.75 |

## 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 $1,248,103.36, and employee contributions were $818,428.43 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 $3,520,101.00 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 0.09552%, 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%) |
| $ 10,594,533.00 | $ 3,520,101.00 | $ (2,483,370.00) |

*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 $420,674.00. 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 | $ 400,235.00 |
| Changes of Assumptions | | |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | | 381,373.00 |
| Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions | 246,500.00 | |
| Contributions Subsequent to the Measurement Date | 1,248,103.00 | |
| Total | $ 1,494,603.00 | $ 781,608.00 |

The amount of $1,248,103.00 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 | $ (380,665.00) |
| 2018 | (380,665.00) |
| 2019 | (374,882.00) |
| 2020 | 601,104.00 |
| Total | $ (535,108.00) |

## 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 $763,866.54, $752,897.25, and $711,783.18, 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 $55,925.94, $56,227.30, and $57,997.15, 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. Public Entity Risk Pool

#### Public School Insurance Fund

Fire and other property losses are covered by the Public School Insurance Fund (Fund), a state-administered public entity risk pool. The Fund is financed by premiums and interest collected through membership participation and retains a $10 million deductible per occurrence. Reinsurance is purchased by the Fund to cover catastrophic events in excess of the $10 million deductible. Membership insured property is covered under an all risk coverage contract. Building and contents are valued under a replacement cost basis. No coinsurance penalties apply. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

### B. Employee Benefit Plans

#### 1. State Health Plan

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

#### 2. Death Benefit Plan of North Carolina

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

## C. Other Risk Management and Insurance Activities

### 1. Automobile Insurance

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

### 2. Public Officers' and Employees' Liability Insurance

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

### 3. Employee Dishonesty and Computer Fraud

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

### 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 purchases malpractice insurance for students in medical related fields. Coverage is provided at $1,000,000 per occurrence with a limit of $5,000,000.00.

## 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 $161,007.00 at June 30, 2016.

## NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

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

GASB Statement No. 72, *Fair Value Measurement and Application*

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

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

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

# REQUIRED SUPPLEMENTARY INFORMATION

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

***Exhibit C-1***

| | 2015 | 2014 | 2013 |
|---|---|---|---|
| Proportionate Share Percentage of Collective Net Pension Liability | 0.09552% | 0.09332% | 0.09100% |
| Proportionate Share of TSERS Collective Net Pension Liability | $ 3,520,101.00 | $ 1,094,103.00 | $ 5,524,627.00 |
| Covered-Employee Payroll | $ 13,713,975.33 | $ 13,181,169.99 | $ 13,282,575.59 |
| Net Pension Liability as a Percentage of Covered-Employee Payroll | 25.67% | 8.30% | 41.59% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 94.64% | 98.24% | 90.60% |

## *Wayne Community College*
## *Required Supplementary Information*
## *Schedule of College Contributions*
## *Teachers' and State Employees' Retirement System*
## *Last Ten Fiscal Years* *Exhibit C-2*

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Contractually Required Contribution | $ 1,248,103.36 | $ 1,254,828.74 | $ 1,145,443.67 | $ 1,106,438.55 | $ 936,583.99 |
| Contributions in Relation to the Contractually Determined Contribution | 1,248,103.36 | 1,254,828.74 | 1,145,443.67 | 1,106,438.55 | 936,583.99 |
| Contribution Deficiency (Excess) | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |
| Covered-Employee Payroll | $ 13,640,473.89 | $ 13,713,975.33 | $ 13,181,169.99 | $ 13,282,575.59 | $ 12,588,494.44 |
| 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 | $ 625,838.86 | $ 454,890.48 | $ 447,729.54 | $ 402,091.47 | $ 338,411.38 |
| Contributions in Relation to the Contractually Determined Contribution | 625,838.86 | 454,890.48 | 447,729.54 | 402,091.47 | 338,411.38 |
| Contribution Deficiency (Excess) | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |
| Covered-Employee Payroll | $ 12,694,500.12 | $ 12,742,030.17 | $ 13,325,283.85 | $ 13,183,326.84 | $ 12,722,232.42 |
| Contributions as a Percentage of Covered-Employee Payroll | 4.93% | 3.57% | 3.36% | 3.05% | 2.66% |

# Wayne 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

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

Board of Trustees
Wayne Community College
Goldsboro, 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 Wayne 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 2, 2017. Our report includes a reference to other auditors who audited the financial statements of The Foundation of Wayne Community College, Inc., as described in our report on the College's financial statements. The financial statements of The Foundation of Wayne County Community College, 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 The Foundation of Wayne Community College, Inc.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 2, 2017

# ORDERING INFORMATION

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

NCOSA
The Taxpayers' Watchdog

This audit required 285 audit hours at an approximate cost of $29,355.