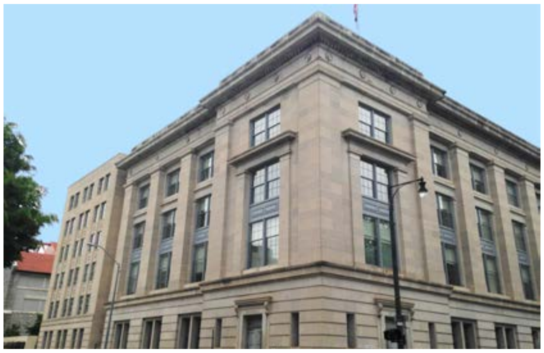
STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



WESTERN PIEDMONT COMMUNITY COLLEGE

MORGANTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2016

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA

NCOSA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor

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State Auditor

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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Western Piedmont 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, CP A
State Auditor

Beth A. Wood, CPA
State Auditor

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

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor

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State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Western Piedmont Community College
Morganton, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Western Piedmont 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 Western Piedmont Foundtion, 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 Western Piedmont Foundation, Inc., are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Western Piedmont Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

<u>Opinions</u>

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 Western Piedmont 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.

<u>Other Matters – Required Supplementary Information</u>

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.

<u>Other Reporting Required by Government Auditing Standards</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 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 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Western Piedmont Community College's (College) annual financial report represents Managements' Discussion and Analysis of the College's financial activity for the fiscal year ended June 30, 2016 with comparative data for the fiscal year ended June 30, 2015. The discussion and analysis should be read in conjunction with the Financial Statements and Notes to the Financial Statements. The Management's Discussion and Analysis, Financial Statements, and Notes to the Financial Statements are the responsibility of management.

Using the Annual Report

This report consists of financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35 - *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.*

The statement format presents financial information to emulate that used by corporations. The statements are prepared under the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The full scope of the College's activities is considered to be a single business-type activity and is reported in a single column format on the statements. Three basic financial statements are included in this report along with the required supplementary information and notes to the financial statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

- The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is reported as net position. This statement combines current financial resources and capital assets.
- The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as operating or nonoperating. The financial reporting model classifies state and county appropriations as nonoperating revenue, which results in an operating loss on the statements. This is consistent with most public institutions. The utilization of capital assets is reflected in the financial statements as depreciation.
- The Statement of Cash Flows presents an analysis of cash receipts and cash payments during the period. It shows the College's ability to meet financial obligations as they mature. The information is summarized by the different type of activities: operating, noncapital financing, capital and related financing, and investing activities.

Financial Highlights

- The College's enrollment, measured by Full Time Equivalents (FTE), has declined but is at a level consistent with our service area population. The North Carolina Community College System (NCCCS) as a whole had a decline of 2.4% from FY 2015 to FY 2016.
- The College's initial state budget allocation was $16,229,842.00. The initial allocation was immediately reduced by $690,813.00 through a Management Flexibility Reduction. Management Flexibility Reduction is a budget cut that the General Assembly does not specify how to implement but gives the College's management the flexibility to determine the budget area to reduce. State appropriation allocations are based on three methodologies: base allocation, FTE enrollment, and performance based allocations.

- The College's county appropriation is used primarily for operations and maintenance of the College. Appropriations for both FY 2016 and FY 2015 were $2,350,329.00.

Analysis of Financial Position and Results of Operations

Condensed Statement of Net Position

The Statement of Net Position represents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (total assets and deferred outflows of resources minus total liabilities and deferred inflows of resources) of the College. This statement provides a fiscal snapshot of the College's financial position as of June 30, 2016. The data provides readers of this statement information on assets available to continue operations, amounts due to vendors and employees; and the net position available for operations by the College. Management demonstrates that the financial position of the College has remained strong during the FY 2016 with an increase in total net position.

	FY 2015-2016	FY 2014-2015 (As Restated)	Increase / (Decrease)	% Change
Assets				
Current Assets	$ 6,491,743.04	$ 6,467,100.42	$ 24,642.62	0.38 %
Noncurrent Assets:				
Capital Assets - Nondepreciable	2,563,129.40	2,260,436.83	302,692.57	13.39 %
Capital Assets - Depreciable	15,907,062.35	16,471,951.42	(564,889.07)	(3.43) %
Other Noncurrent Assets	1,440,797.08	1,017,771.89	423,025.19	41.56 %
Total Assets	26,402,731.87	26,217,260.56	185,471.31	0.71 %
Deferred Outflows of Resources	816,192.00	842,498.00	(26,306.00)	(3.12) %
Liabilities				
Current Liabilities	749,964.55	784,997.64	(35,033.09)	(4.46) %
Noncurrent Liabilities				
Long-Term Liabilities	2,872,968.41	1,435,437.98	1,437,530.43	100.15 %
Funds Held for Others	58,557.90	43,866.77	14,691.13	33.49 %
Total Liabilities	3,681,490.86	2,264,302.39	1,417,188.47	62.59 %
Deferred Inflows of Resources	861,586.00	3,081,346.00	(2,219,760.00)	(72.04) %
Net Position				
Investment in Capital Assets	18,470,191.75	18,732,388.25	(262,196.50)	(1.40) %
Restricted:				
Nonexpendable	59,339.00	59,339.00		
Expendable	1,802,894.59	1,273,553.35	529,341.24	41.56 %
Unrestricted	2,343,421.67	1,648,829.57	694,592.10	42.13 %
Total Net Position	$ 22,675,847.01	$ 21,714,110.17	$ 961,736.84	4.43 %

Current assets include cash and cash equivalents, receivables, inventories, and notes receivable for short term student loans. Noncurrent assets consist of cash, restricted due from primary government, restricted investments, and capital assets. Capital assets include land, art, literature, and artifacts, construction in progress, buildings, general infrastructure, and machinery and equipment. The College's capital assets are recorded at cost at date of acquisition, or in the case of donations, either acquisition value or fair market value depending on the date of donation, less depreciation. A capital asset is recorded when the purchase price for an item is $5,000 or more and has a useful life of more than one year. Depreciation is computed utilizing the straight-line method over the estimated useful life of the asset; generally 10-75 years for general infrastructure, 10-100 years for buildings, and 2-30 years for equipment.

Current liabilities include amounts due to vendors, payroll compensation, unearned revenue for the summer term, and the current portion of compensated absences for vacation leave due to employees. Noncurrent liabilities include funds held for others and long term portions of compensated absences and net pension liability.

The financials present the College's total assets and deferred outflows of resources, less total liabilities and deferred inflows of resources as a measure of net position.

Notable changes in the above table:

- Capital assets decreased $262,196.50 or 1.40%. This is due to depreciation and disposals of capital assets offset by the purchase of machinery and equipment and the construction in progress for the mechatronics building and greenhouse. See note 17 of the financial statements for details on the restatement regarding capital assets.
- Other noncurrent assets increased $423,025.19 or 41.56% due to the approval of several capital projects that include a new mechatronics building, a new pottery building, and various renovations on campus in which $500,000 have been recorded as restricted due from primary government.
- Long-term liabilities increased $1,437,530.43 or 100.15% due to a large portion of deferred inflows of resources recorded for GASB No. 68 being transferred to long-term liabilities.
- Deferred inflows of resources decreased $2,219,760.00 or 72.04% due to actuarial calculations. It is primarily the difference between projected investment earnings and actual earnings of funds invested in the Teachers' and State Employees' Retirement System (TSERS).
- Net position increased $961,736.84 or 4.43%. This change is due to the items noted above as well as the activity noted in the Statement of Revenues, Expenses, and Changes in Net Position section.

Change in Accounting Procedure for GASB Statement No. 68

Effective fiscal year end June 30, 2015, GASB No. 68 – *Accounting and Financial Reporting for Pension – An Amendment of GASB Statement No. 27* changed the way all entities participating in a cost-sharing multiple-employer defined benefit plan, such as TSERS, are to recognize liabilities for their portion of the collective TSERS pension liability. Historically, the College has operated on the accrual basis of accounting where revenues are recognized when earned and expenses are recorded when an obligation has incurred. This change in reporting adds an additional layer of presentation to the College's financial statements that does not affect the current accrual basis operations of the college, but is merely a reflection of the pension plan in which we participate.

With the implementation of GASB Statement No. 68, all agencies are required to include their portion of the TSERS pension liability through accounts labeled deferred outflows of resources, deferred inflows of resources, noncurrent liabilities, and pension expense (included in salaries and benefits). In the first year of implementation, the cumulative adjustment required a prior period restatement which decreased our net position by $3,588,148.00. Going forward, the net adjustment to deferred outflows of resources, deferred inflows of resources, and noncurrent liabilities will be recorded as a current pension expense. The pension expense will no longer represent the amount of employer required contribution but will reflect the adjustment to the College's portion of net pension liability for changes in investments, actuarial tables, and the College's percentage of membership in TSERS as a whole.

The retirement contribution by the College for the current fiscal year was $816,192.00, which is reflected in deferred outflows of resources. The current pension expense under the new GASB Statement No. 68 guidance is $115,844.00. A more in depth description of the change in reporting can be found in Note 12 of the Notes to the Financial Statements.

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

The purpose of this statement is to present the revenues received and expenses paid by the College, both operating and nonoperating. The College receives the majority of its funding from appropriations which are recorded as nonoperating revenue. This results in an operating loss on the statements which is normal for public institutions. Depreciation is recognized and presented as an operating expense.

	FY 2015-2016	FY 2014-2015 (As Restated)	Increase / (Decrease)	% Change
Operating Revenue				
Student Tuition and Fees, Net	$ 1,662,238.88	$ 1,408,043.39	$ 254,195.49	18.05 %
Sales and Services, Net	553,223.59	627,012.84	(73,789.25)	(11.77) %
Other Operating Revenue		115,424.99	(115,424.99)	(100.00) %
Total Operating Revenue	2,215,462.47	2,150,481.22	64,981.25	3.02 %
Operating Expenses				
Salaries and Benefits	14,443,315.32	15,071,738.17	(628,422.85)	(4.17) %
Supplies and Materials	2,623,975.87	3,240,925.89	(616,950.02)	(19.04) %
Services	1,422,224.74	1,561,696.11	(139,471.37)	(8.93) %
Scholarships and Fellowships	2,158,538.22	2,598,394.66	(439,856.44)	(16.93) %
Utilities	595,934.84	567,397.87	28,536.97	5.03 %
Depreciation	635,943.69	616,298.31	19,645.38	3.19 %
Total Operating Expenses	21,879,932.68	23,656,451.01	(1,776,518.33)	(7.51) %
Operating Loss	(19,664,470.21)	(21,505,969.79)	1,841,499.58	8.56 %
Nonoperating Revenues (Expenses)				
State Aid	11,732,321.46	12,139,269.61	(406,948.15)	(3.35) %
County Appropriations	2,350,329.00	2,350,329.00		
Noncapital Grants	5,311,144.10	6,573,508.59	(1,262,364.49)	(19.20) %
Other Nonoperating Revenues (Expenses)	(60,898.86)	93,718.79	(154,617.65)	(164.98) %
Net Nonoperating Revenues	19,332,895.70	21,156,825.99	(1,823,930.29)	(8.62) %
Capital Contributions				
State Capital Aid	1,063,580.00	891,006.14	172,573.86	19.37 %
County Capital Aid	100,114.00	100,000.00	114.00	0.11 %
Other Capital Contributions	129,617.35	65,954.65	63,662.70	96.52 %
Total Capital Contributions	1,293,311.35	1,056,960.79	236,350.56	22.36 %
Increase in Net Position	961,736.84	707,816.99	253,919.85	35.87 %
Net Position Beginning of Year, as Restated	21,714,110.17	21,006,293.18	707,816.99	3.37 %
Net Position End of Year	$ 22,675,847.01	$ 21,714,110.17	$ 961,736.84	4.43 %
Reconciliation of Change in Net Position				
Total Revenues	$ 22,990,713.94	$ 24,380,030.20	$ (1,389,316.26)	(5.70) %
Less: Total Expenses	22,028,977.10	23,672,213.21	(1,643,236.11)	(6.94) %
Increase in Net Position	$ 961,736.84	$ 707,816.99	$ 253,919.85	35.87 %

Operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are used to acquire or produce the resources required to provide for the mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided such as state and county aid, grants, and gifts.

Notable changes in the above table:

- Total operating revenue increased $64,981.25 or 3.02%. While we expected to see a decrease from a decline in FTE, this was offset by an increase in tuition and other operating fee rates. The decrease in actual FTE was 124 from 1,783 in the previous year to 1,659, or 6.95%.
    - Per the General Assembly, both in-state and out-of-state tuition remained the same for Fall 2015, but increased by $4.00 per credit hour for Spring and Summer 2016.
- Salaries and benefits, which includes both staff and faculty required to continue college operations, experienced a decrease in personnel equating to $628,422.85, or 4.17% to reflect the decline in state funding due to enrollment.
- Supplies and materials decreased $616,950.02, or 19.04% because of the decline in overall budget and the need to move supplies budget to purchase or replace equipment which was capitalized.
- Scholarships and fellowships decreased $439,856.44, or 16.93%.
    - The Department of Education set limits to the number of semester hours a student can obtain PELL assistance and has strict regulations on Satisfactory Academic Progress (SAP) which affects students' financial aid eligibility.
    - The College had a decrease in Curriculum FTE from 1,783 in FY 2015 to 1,659 in FY 2016 or a 6.95% reduction.
- State aid decreased by $406,948.15, or 3.35% due to the decrease in FTE.
- Noncapital grants (including student financial aid portion) decreased by a total of $1,262,364.49, or 19.20%. The decrease is primarily attributed to the reasons noted above for scholarships and fellowships.
- Other nonoperating revenues decreased by $154,617.65, or 164.98% of which a majority was from the loss on sales of old or obsolete equipment and transfer of underutilized equipment to sister institutions.
- State capital aid increased by $172,573.86 or 19.37%. As the College has experienced a decline in FTE, we have been unable to replace capital equipment in a time period consistent with previous years. As funds were available in FY 2016, we used this opportunity to update equipment necessary to continue to maintain successful programs and operations.

Capital Asset Activity

The College's net capital assets decreased by $262,196.50 or 1.40% in FY 2016. The decrease is due depreciation expense and disposals of capital assets offset by the regular purchase of machinery and equipment and worked performed on the mechatronics building and greenhouse. FY 2015 balances have been restated to record land, buildings, and general infrastructure for the Emergency Services Training Center and the K Building (which houses the basic skills, adult high school, and building construction programs) which was paid for and completed by the County for the use of the College in previous fiscal years. See capital asset note 6 and restatement note 17 of the financial statements for more details.

	FY 2015-2016	FY 2014-2015 (As Restated)	Increase / (Decrease)	% Change
Capital Assets:				
Land	$ 2,047,671.50	$ 2,047,671.50	$ 0.00	0.00 %
Art, Literature, and Artifacts	145,014.00	145,014.00		
Construction in Progress	370,443.90	67,751.33	302,692.57	446.77 %
Buildings	21,364,654.79	21,442,251.09	(77,596.30)	(0.36) %
Machinery and Equipment	5,228,077.87	5,366,816.09	(138,738.22)	(2.59) %
General Infrastructure	2,521,293.98	2,521,293.98		
Total Capital Assets	31,677,156.04	31,590,797.99	86,358.05	0.27 %
Less: Accumulated Depreciation				
Buildings	10,445,701.15	10,149,424.92	296,276.23	2.92 %
Machinery and Equipment	2,136,021.25	2,129,093.56	6,927.69	0.33 %
General Infrastructure	625,241.89	579,891.26	45,350.63	7.82 %
Total Accumulated Depreciation	13,206,964.29	12,858,409.74	348,554.55	2.71 %
Capital Assets, Net	$ 18,470,191.75	$ 18,732,388.25	$ (262,196.50)	(1.40) %

Analysis of Financial Position

The change in net position is one indicator of the financial well-being of the College as well as industry standard financial ratios. A few ratios for the College are as follows:

Western Piedmont Community College
Financial Ratios

Liquidity			
Current Ratio	Current Assets	$ 6,491,743.04	8.66
	Current Liabilities	$ 749,964.55	
Profitablity			
Primary Reserve Ratio	Expendable Net Position	$ 1,802,894.59	0.08
	Operating Expenses	$ 21,879,932.68	
Return of Net Position Ratio	Change in Net Position	$ 961,736.84	0.04
	Total Net Position	$ 22,675,847.01	

Non-financial factors must also be analyzed to determine the complete picture of the College's overall condition. Examples of non-financial factors include enrollment trends, age and stability of buildings, and community demographics.

Western Piedmont Community College
Analysis of Full Time Equivalents (FTE)

Curriculum FTE

Reporting Year	Actual FTE	2-Year Average	3-Year Average	Actual Budget FTE
2016-2017		1722	1804	1722
2015-2016	1659	1877	1960	1877
2014-2015	1783	2048	2191	2048
2013-2014	1971	2301	2454	2301
2012-2013	2125	2691	2691	2691
2011-2012	2477	2798	2666	2762

Non-Curriculum

Reporting Year	Non-Curriculum Budget FTE	Basic Skills Budget FTE
2016-2017	253	332
2015-2016	320	365
2014-2015	356	406
2013-2014	369	426
2012-2013	384	448
2011-2012	393	455

The budget allocation formula is the higher of the FTE earned in the most recent year or the average of the last two years. The following tables represent curriculum and non-curriculum tuition rates for the last five years. In-state curriculum tuition increased 14.29% from FY 2012 to FY 2016 while non-curriculum tuition stayed relatively stable.

Curriculum Tuition Rates

Reporting Year	In-State Tuition	Out-of-State Tuition
2015-2016	72.00 (Fall 2015) 76.00 (Spring and Summer 2016)	264.00 (Fall 2015) 268.00 (Spring and Summer 2016)
2014-2015	72.00	264.00
2013-2014	71.50	263.50
2012-2013	69.00	261.00
2011-2012	66.50	258.50

Non-Curriculum Tuition Rates

Reporting Year	0-24 Hours	25-50 Hours	50+ Hours
2015-2016	70.00	125.00	180.00
2014-2015	70.00	125.00	180.00
2013-2014	70.00	125.00	180.00
2012-2013	65.00	120.00	175.00
2011-2012	65.00	120.00	175.00

Economic Factors and Next Year's Budget

The NCCCS has developed seven performance measures for student success as an accountability tool. Data is compiled annually in a comparison format of all 58 community colleges. Of the seven program performance measures, the College performed above average on five standards and exceeded the excellence measure on two of the standards in the August 2016 report.

There was an increase in county appropriations for FY 2017 of $100,000.00. The County has been very generous with capital improvement funds encompassing the last two years and future year.

The College plans to break ground on a new mechatronics facility in FY 2017. It will be funded by a $750,000.00 Golden Leaf grant the College was awarded in FY 2015 along with $333,286.00 in capital aid from the County, a $100,000.00 grant from the Cannon Foundation, and $400,000.00 from other College funds for the remainder. This building will consist of classrooms and lab spaces that will enhance the College's ability to prepare its students for work in the mechatronics field.

The unemployment rate in Burke County decreased slightly from 6.1% in June 2015 to 5.0% in June 2016. While we are meeting the needs of our local workforce with our citizens finding ready employment, it does have an inverse relationship to enrollment.

The College implemented its five year strategic plan in January 2016. This plan focuses on the mission and core values of the College and sets strategic goals in each of the following areas: student success, employee development, workforce development, community engagement and outreach, and institutional enhancement.

In 2017, the College plans to begin new programs that will align with the strategic goals of the College and meet the changing needs of the community. Cosmetology is one of the new programs that will be offered in an associates, diploma, or certificate to provide competency-based knowledge, scientific/artistic principles, and hands-on fundamentals associated with the cosmetology industry. Emergency Management will be offered in an associates or certificate format to provide students with a foundation of technical and professional knowledge needed for emergency services delivery in local and state government agencies.

The College recently expanded our course offerings within our four local high schools including classes in welding and general education. This opportunity gives us great exposure to students graduating within the next year and planning the next step to further their education.

The College employs strong fiscal procedures and sound planning to manage FTE fluctuations. Although FTE has declined, we continue to restructure programs to meet the needs of the community. With these changes, we anticipate the College will remain financially stable.

FINANCIAL STATEMENTS

Western Piedmont Community College
Statement of Net Position *Exhibit A-1*
June 30, 2016

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	5,178,907.67
Restricted Cash and Cash Equivalents		529,305.17
Receivables, Net (Note 5)		263,618.20
Inventories		518,619.62
Notes Receivable, Net (Note 5)		1,292.38
Total Current Assets		6,491,743.04
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		134,678.07
Restricted Due from Primary Government		590,989.61
Restricted Investments		715,129.40
Capital Assets - Nondepreciable (Note 6)		2,563,129.40
Capital Assets - Depreciable, Net (Note 6)		15,907,062.35
Total Noncurrent Assets		19,910,988.83
Total Assets		26,402,731.87
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		816,192.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 7)		507,611.84
Due to Primary Government		669.34
Unearned Revenue		126,635.55
Long-Term Liabilities - Current Portion (Note 8)		115,047.82
Total Current Liabilities		749,964.55
Noncurrent Liabilities:		
Funds Held for Others		58,557.90
Long-Term Liabilities (Note 8)		2,872,968.41
Total Noncurrent Liabilities		2,931,526.31
Total Liabilities		3,681,490.86
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		861,586.00

Western Piedmont Community College
Statement of Net Position
June 30, 2016

NET POSITION

Investment in Capital Assets	18,470,191.75
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	59,339.00
Expendable:	
Scholarships and Fellowships	834,302.15
Loans	6,036.86
Capital Projects	607,770.78
Specific Programs	354,784.80
Unrestricted	2,343,421.67
Total Net Position	$ 22,675,847.01

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

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

REVENUES	
Operating Revenues:	
Student Tuition and Fees, Net (Note 10)	$ 1,662,238.88
Sales and Services, Net (Note 10)	553,223.59
Total Operating Revenues	2,215,462.47
EXPENSES	
Operating Expenses:	
Salaries and Benefits	14,443,315.32
Supplies and Materials	2,623,975.87
Services	1,422,224.74
Scholarships and Fellowships	2,158,538.22
Utilities	595,934.84
Depreciation	635,943.69
Total Operating Expenses	21,879,932.68
Operating Loss	(19,664,470.21)
NONOPERATING REVENUES (EXPENSES)	
State Aid	11,732,321.46
County Appropriations	2,350,329.00
Noncapital Grants - Student Financial Aid	4,411,044.02
Noncapital Grants	900,100.08
Noncapital Gifts	82,090.63
Investment Income (Net of Investment Expense of $6,048.81)	6,054.93
Other Nonoperating Expenses	(149,044.42)
Net Nonoperating Revenues	19,332,895.70
Loss Before Other Revenues	(331,574.51)
State Capital Aid	1,063,580.00
County Capital Aid	100,114.00
Capital Grants	129,617.35
Increase in Net Position	961,736.84
NET POSITION	
Net Position, July 1, 2015 as Restated (Note 17)	21,714,110.17
Net Position, June 30, 2016	$ 22,675,847.01

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

Western Piedmont 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	$ 2,277,830.19
Payments to Employees and Fringe Benefits	(15,211,773.10)
Payments to Vendors and Suppliers	(4,562,203.98)
Payments for Scholarships and Fellowships	(2,158,538.22)
Loans Issued to Students	(10,138.67)
Collection of Loans to Students	9,479.79
Other Receipts	14,816.40
Net Cash Used by Operating Activities	(19,640,527.59)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	11,732,321.46
County Appropriations	2,350,329.00
Noncapital Grants - Student Financial Aid	4,411,044.02
Noncapital Grants	903,861.43
Noncapital Gifts	82,090.63
Cash Provided by Noncapital Financing Activities	19,479,646.54
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	563,580.00
County Capital Aid	100,114.00
Capital Grants	129,617.35
Proceeds from Sale of Capital Assets	8,930.03
Acquisition and Construction of Capital Assets	(531,846.91)
Net Cash Provided by Capital and Related Financing Activities	270,394.47
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	818,057.24
Investment Income	15,989.66
Purchase of Investments and Related Fees	(762,934.23)
Net Cash Provided by Investing Activities	71,112.67
Net Increase in Cash and Cash Equivalents	180,626.09
Cash and Cash Equivalents, July 1, 2015	5,662,264.82
Cash and Cash Equivalents, June 30, 2016	$ 5,842,890.91

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (19,664,470.21)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	635,943.69
Provision for Uncollectible Loans and Write-Offs	240.74
Pension Expense	115,844.00
Miscellaneous Pension Adjustment	920.00
Miscellaneous Nonoperating Income	125.27
Changes in Assets, Liabilities, and Deferred Outflows of Resources:	
Receivables, Net	89,089.56
Inventories	76,041.02
Notes Receivable, Net	(658.88)
Accounts Payable and Accrued Liabilities	(32,023.84)
Due to Primary Government	120.20
Unearned Revenue	(26,721.84)
Funds Held for Others	14,691.13
Deferred Outflows for Contributions Subsequent to the Measurement Date	(816,192.00)
Compensated Absences	(33,476.43)
Net Cash Used by Operating Activities	$ (19,640,527.59)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	$ 5,178,907.67
Restricted Cash and Cash Equivalents	529,305.17
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	134,678.07
Total Cash and Cash Equivalents - June 30, 2016	$ 5,842,890.91

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	$ 44,037.92
Increase in Receivables Related to Nonoperating Income	500,000.00
Loss on Disposal of Capital Assets	(149,169.69)

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

Western Piedmont Foundation, Inc.
Statement of Financial Position
June 30, 2016

Exhibit B-1

ASSETS		
Cash and Cash Equivalents	$	184,239
Student Loans Receivable		5,607
Land		138,000
Marketable Securities		2,602,443
Total Assets	$	2,930,289
NET ASSETS		
Unrestricted	$	147,091
Temporarily Restricted		539,134
Permanently Restricted		2,244,064
Total Net Assets	$	2,930,289

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

Western Piedmont Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2016 ***Exhibit B-2***

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE				
Donations	$ 4,917	$ 145,173	$ 32,500	$ 182,590
Investment Loss	(550)	(25,852)		(26,402)
Program Grants	100,000	1,346		101,346
Golf Tournament Revenue		19,000		19,000
In-kind Contribution from WPCC	97,948			97,948
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	144,487	(144,487)		
Total Support and Revenue	346,802	(4,820)	32,500	374,482
EXPENSES				
Program Services:				
Instructional Awards	5,800			5,800
Institutional Development Grants	129,183			129,183
Scholarship Awards	90,315			90,315
Fund Raising Expenses:				
General Fund Raising Expense	6,655			6,655
Golf Tournament Expense	9,891			9,891
Management and General:				
Professional Fees	14,411			14,411
Other Expense	136,590			136,590
Total Expenses	392,845			392,845
Change in Net Assets	(46,043)	(4,820)	32,500	(18,363)
Net Assets, Beginning of Year	179,821	572,470	2,196,361	2,948,652
Transfers In (Out)	13,313	(28,516)	15,203	
Net Assets, End of Year	$ 147,091	$ 539,134	$ 2,244,064	$ 2,930,289

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

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

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

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 16 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2016, the Foundation distributed $182,452.25 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Lowdermilk, Church and Co., L.L.P. located in Morganton, North Carolina.

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

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

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

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

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

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

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

G. Inventories - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.

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

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

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

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

The Senator Sam J. Ervin Library and Museum collection, acquired prior to July 1, 2015, is capitalized at cost or fair value at the date of donation. This collection is considered inexhaustible and is therefore not depreciated.

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

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

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

K. Compensated Absences - The College’s policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each 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 and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

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

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

O. **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 $2,480.00. The carrying amount of the College's deposits not with the State Treasurer was $581,270.80, and the bank balance was $818,675.83.

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

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

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

At June 30, 2016, the amount shown on the Statement of Net Position as cash and cash equivalents includes $5,259,140.11, 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.

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.

The College operates under an Investment Policy Statement approved by the Western Piedmont Board of Trustees, effective May 12, 2014. The Investment Policy Statement governed investments managed by First Citizens Bank. The policy's asset allocation consisted of cash, fixed income, equity, and alternative investments. The College held $715,129.40 in equity weighted, closed-end mutual fund investments at June 30, 2016.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have a formal policy that addresses credit risk.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a formal policy for custodial credit risk.

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

	June 30, 2016		
	Value	Cost	Unrealized Gain (Loss)
Wells Fargo Portfolio Securities			
Fixed Income	$ 745,409	$ 742,595	$ 2,814
Equities	1,289,200	1,332,055	(42,855)
Complementary Strategies	292,629	311,739	(19,110)
Money Market	53,929	53,929	
Real Asset Funds	221,276	193,421	27,855
Total	$ 2,602,443	$ 2,633,739	$ (31,296)

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	$ 2,480.00
Carrying Amount of Deposits with Private Financial Institutions	581,270.80
Investments in the Short-Term Investment Fund	5,259,140.11
Other Investments	715,129.40
Total Deposits and Investments	$ 6,558,020.31
Deposits	
Current:	
Cash and Cash Equivalents	$ 5,178,907.67
Restricted Cash and Cash Equivalents	529,305.17
Noncurrent:	
Restricted Cash and Cash Equivalents	134,678.07
Total Deposits	5,842,890.91
Investments	
Noncurrent:	
Restricted Investments	715,129.40
Total Deposits and Investments	$ 6,558,020.31

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.

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

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Short-Term Investment Fund	$ 5,259,140.11	$ 0.00	$ 5,129,140.11	$ 0.00
Equity Mutual Funds	715,129.40	715,129.40		
Total Investments Measured at Fair Value	$ 5,974,269.51	$ 715,129.40	$ 5,129,140.11	$ 0.00

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

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

Component Unit – The Foundation utilizes FASB Accounting Standards Codification (ASC) 820 to provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets
- Quoted prices for identical or similar assets in inactive markets
- Inputs other than quoted prices that are observable for the assets
- Inputs that are derived principally from or corroborated by observable market data by correlational other means

If an asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Fair values of Foundation assets measured on a recurring basis at June 30, 2016 are as follows:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Fixed Income	$ 745,409	$ 745,409	$ 0	$ 0
Equities	1,289,200	1,289,200		
Complementary Strategies	292,629	292,629		
Money Market	53,929	53,929		
Real Asset Funds	221,276	221,276		
Total Investments Measured at Fair Value	$ 2,602,443	$ 2,602,443	$ 0	$ 0

Investment accounts of stocks, money market funds, mutual funds, and government bonds are recorded to fair value based on current quoted market prices provided by investment custodians or other models.

NOTE 4 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with state agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents -

noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2016, net appreciation of $419.64 was available to be spent, all of which was classified in net position as restricted: expendable: scholarships and fellowships as it is restricted for specific purposes.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2016, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 605,511.22	$ 475,245.62	$ 130,265.60
Student Sponsors	14,355.46		14,355.46
Accounts	93,634.70		93,634.70
Intergovernmental	23,988.00		23,988.00
Other	3,963.73	2,589.29	1,374.44
Total Current Receivables	$ 741,453.11	$ 477,834.91	$ 263,618.20
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	$ 6,654.52	$ 5,362.14	$ 1,292.38

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 (As Restated)	Increases	Decreases	Balance June 30, 2016
Capital Assets, Nondepreciable:				
Land	$ 2,047,671.50	$ 0.00	$ 0.00	$ 2,047,671.50
Art, Literature, and Artifacts	145,014.00			145,014.00
Construction in Progress	67,751.33	302,692.57		370,443.90
Total Capital Assets, Nondepreciable	2,260,436.83	302,692.57	0.00	2,563,129.40
Capital Assets, Depreciable:				
Buildings	21,442,251.09		77,596.30	21,364,654.79
Machinery and Equipment	5,366,816.09	229,154.34	367,892.56	5,228,077.87
General Infrastructure	2,521,293.98			2,521,293.98
Total Capital Assets, Depreciable	29,330,361.16	229,154.34	445,488.86	29,114,026.64
Less Accumulated Depreciation for:				
Buildings	10,149,424.92	366,324.72	70,048.49	10,445,701.15
Machinery and Equipment	2,129,093.56	224,268.34	217,340.65	2,136,021.25
General Infrastructure	579,891.26	45,350.63		625,241.89
Total Accumulated Depreciation	12,858,409.74	635,943.69	287,389.14	13,206,964.29
Total Capital Assets, Depreciable, Net	16,471,951.42	(406,789.35)	158,099.72	15,907,062.35
Capital Assets, Net	$ 18,732,388.25	$ (104,096.78)	$ 158,099.72	$ 18,470,191.75

The capital assets schedule above includes land and buildings in the amount of $2,026,963.56 for which the College does not hold the title. On April 19, 2002, the College entered into an agreement with Burke County whereas the College deeded approximately 3.73 acres to Burke County for the purpose of constructing the K Building. In order for the County to obtain the financing needed to provide the resources for this project, the College transferred title of the land and the building which was to be built to the County for use as collateral until the debt is satisfied, at which time the title reverts back to the College.

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	$ 75,658.49
Accrued Payroll	431,380.10
Intergovernmental Payables	573.25
Total Current Accounts Payable and Accrued Liabilities	$ 507,611.84

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	$ 803,695.00	$ 1,494,026.00	$ 0.00	$ 2,297,721.00	$ 0.00
Compensated Absences	723,771.66	503,798.31	537,274.74	690,295.23	115,047.82
Total Long-Term Liabilities	$ 1,527,466.66	$ 1,997,824.31	$ 537,274.74	$ 2,988,016.23	$ 115,047.82

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

NOTE 9 - OPERATING LEASE OBLIGATIONS

Rental expense for all operating leases during the year was $11,368.76. The College has no noncancelable operating leases requiring disclosures.

NOTE 10 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Change in Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	$ 3,277,777.96	$ 1,651,591.51	$ (36,052.43)	$ 1,662,238.88
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	$ 1,079,795.65	$ 683,173.76	$ (28,637.53)	$ 425,259.42
Other	99,360.99			99,360.99
Sales and Services of Education and Related Activities	25,132.72		(3,470.46)	28,603.18
Total Sales and Services, Net	$ 1,204,289.36	$ 683,173.76	$ (32,107.99)	$ 553,223.59

NOTE 11 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 8,279,954.75	$ 1,129,007.79	$ 331,990.09	$ 0.00	$ 0.00	$ 0.00	$ 9,740,952.63
Academic Support	1,382,670.73	53,824.73	23,835.69				1,460,331.15
Student Services	1,570,189.26	47,073.31	123,850.72	33,680.31			1,774,793.60
Institutional Support	2,381,802.54	183,075.02	500,470.56				3,065,348.12
Operations and Maintenance of Plant	702,114.59	298,810.71	406,025.99		595,934.84		2,002,886.13
Student Financial Aid				2,124,857.91			2,124,857.91
Auxiliary Enterprises	126,583.45	912,184.31	36,051.69				1,074,819.45
Depreciation						635,943.69	635,943.69
Total Operating Expenses	$ 14,443,315.32	$ 2,623,975.87	$ 1,422,224.74	$ 2,158,538.22	$ 595,934.84	$ 635,943.69	$ 21,879,932.68

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 $816,192.26, and employee contributions were $535,208.04 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 on the North Carolina Office of the State Controller's website at http://www.osc.nc.gov/ or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

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

Net Pension Liability: At June 30, 2016, the College reported a liability of $2,297,721.00 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 0.06235%, which was a decrease of 0.0062 from its proportion measured as of June 30, 2014.

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

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

* Salary increases include 3.5% inflation and productivity factor.
** Investment rate of return is net of pension plan investment expense, including inflation.

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

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

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

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

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

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

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

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

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 6,915,505.98	$ 2,297,720.95	$ (1,621,002.11)

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 $115,844.00. 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	$ 261,251.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		248,938.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions		351,397.00
Contributions Subsequent to the Measurement Date	816,192.00	
Total	$ 816,192.00	$ 861,586.00

The amount of $816,192.00 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	$ (407,223.00)
2018	(407,223.00)
2019	(387,883.00)
2020	340,743.00
Total	$ (861,586.00)

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 $499,527.51, $505,498.86, and $545,329.29, 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 $36,572.55, $37,751.28, and $44,434.23, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 14 - RISK MANAGEMENT

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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

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

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

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

3. **Employee Dishonesty and Computer Fraud**

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $100,000 deductible. A blanket honesty bond for all employees is handled by a private insurance company with a limit of $100,000 per occurrence and a $250 deductible.

4. **Statewide Workers' Compensation Program**

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

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

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 $590,989.61 at June 30, 2016. There were no outstanding commitments on other purchases.

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.

NOTE 17 - 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	$ 17,236,811.56
Restatement:	
Correct Prior Period Capital Assets	4,477,298.61
July 1, 2015 Net Position as Restated	$ 21,714,110.17

REQUIRED SUPPLEMENTARY INFORMATION

Western Piedmont 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	0.06235%	0.06855%	0.07340%
Proportionate Share of TSERS Collective Net Pension Liability	$ 2,297,721.00	$ 803,695.00	$ 4,456,128.00
Covered-Employee Payroll	$ 9,207,629.56	$ 9,988,255.67	$ 10,610,203.70
Net Pension Liability as a Percentage of Covered-Employee Payroll	24.95%	8.05%	42.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%

Western Piedmont 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	$ 816,192.26	$ 842,498.10	$ 867,979.41	$ 883,829.97	$ 744,426.87
Contributions in Relation to the Contractually Determined Contribution	816,192.26	842,498.10	867,979.41	883,829.97	744,426.87
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 8,920,134.03	$ 9,207,629.56	$ 9,988,255.67	$ 10,610,203.70	$ 10,005,737.60
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	$ 499,003.99	$ 362,411.69	$ 360,291.53	$ 301,396.91	$ 247,135.01
Contributions in Relation to the Contractually Determined Contribution	499,003.99	362,411.69	360,291.53	301,396.91	247,135.01
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 10,121,784.87	$ 10,151,588.01	$ 10,722,962.14	$ 9,881,865.90	$ 9,290,789.82
Contributions as a Percentage of Covered-Employee Payroll	4.93%	3.57%	3.36%	3.05%	2.66%

Western Piedmont 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
Western Piedmont Community College
Morganton, 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 Western Piedmont Community College (College), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 15, 2017. Our report includes a reference to other auditors who audited the financial statements of Western Piedmont Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Western Piedmont 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 Western Piedmont 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 15, 2017

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This audit required 334 audit hours at an approximate cost of $34,402.