

STATE OF NORTH CAROLINA

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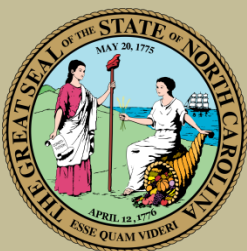
BETH A. WOOD, CPA



FORSYTH TECHNICAL COMMUNITY COLLEGE

WINSTON-SALEM, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



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STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Forsyth Technical Community College for the year ended June 30, 2017, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

A handwritten signature in black ink that reads "Beth A. Wood".

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 and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Forsyth Technical Community College
Winston-Salem, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Forsyth Technical 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, 2017, 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 Forsyth Technical Community College Foundation, Inc., the College's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Forsyth Technical Community College Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Forsyth Technical Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Forsyth Technical Community College, and its discretely presented component unit, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2018 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 21, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Forsyth Technical Community College, a component unit of the State of North Carolina, is presented to provide an overview of the College's financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the College's financial statements and the notes to the financial statements.

Overview of the Financial Statements

The basic financial statements consist of three statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. These financial statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board and focus on the financial position of the College, the results of operations, and cash flows of the College as a whole. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position are prepared under the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Position includes total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, with the difference reported as "net position." The balance in net position is one indicator of the College's financial health when considered with certain nonfinancial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies state and county funding, grants, and gifts as nonoperating revenues. This required classification of certain revenues usually results in an operating loss, although the College may have an overall increase in net position for the year.

The Statement of Cash Flows presents the cash inflows and outflows of the College for the year summarized by operating, capital, noncapital financing, and investing activities. The statement provides a reconciliation of cash balances at the beginning of the year to cash balances at the end of the year.

For the purpose of this discussion, we will address the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. Comparative totals are being used in explaining the College's financial position and results of operations.

Results of Operations - Net position increased by \$1.4 million for the fiscal year ended June 30, 2017. The following schedule shows a summary of changes between the Statement of Revenues, Expenses, and Changes in Net Position for fiscal years 2017 and 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	2017	2016	Dollar Increase (Decrease)
Operating Revenues	\$ 10,484,411.76	\$ 10,573,161.70	\$ (88,749.94)
Operating Expenses	80,932,339.91	80,666,001.02	266,338.89
Operating Loss	(70,447,928.15)	(70,092,839.32)	(355,088.83)
Net Nonoperating Revenues	64,570,909.19	65,866,263.41	(1,295,354.22)
Loss Before Other Revenues	(5,877,018.96)	(4,226,575.91)	(1,650,443.05)
Capital Contributions	7,302,224.31	8,198,150.06	(895,925.75)
Additions to Endowments		200.00	(200.00)
Increase in Net Position	1,425,205.35	3,971,774.15	(2,546,568.80)
Net Position - July 1	116,540,680.04	112,568,905.89	3,971,774.15
Net Position - June 30	\$ 117,965,885.39	\$ 116,540,680.04	\$ 1,425,205.35

Total revenues for fiscal year ended June 30, 2017 were \$82.4 million decreasing by \$2.9 million from the previous year's total revenues of \$85.3 million. The decrease results primarily from a \$4 million decrease in total noncapital grants consisting of a \$1.6 million decrease in student financial aid and a \$2.1 million decrease for the completion of the Department of Labor (DOL) Bioscience Credentials grant. The largest revenue source was provided by the State. State aid, reported as nonoperating revenues, was \$36.4 million and state capital aid, reported as other revenues, was \$1.2 million. Aid from the State totaled \$37.6 million, representing 45.6% of total revenues for this fiscal year. County appropriations and county capital aid were \$9.8 million and \$5.7 million, respectively. Aid from the County totaled \$15.5 million representing 18.8% of total revenues for this fiscal year. Combined aid from the State and County totaled \$53.1 million representing 64.4% of total revenues for fiscal year 2017. The major operating revenue source was student tuition and fees in the amount of \$8.2 million. Student financial aid grants, reported as nonoperating revenues during the current year, were \$12.9 million decreasing by approximately \$1.6 million or 11% from the previous year. These grants are considered nonexchange transactions and include grants for Pell, SEOG, and College Work Study. Further discussion about these activities is provided below.

Total operating revenues of \$10.5 million represent 12.7% of total revenues with only a slight decrease from the previous year of \$88,749.94.

Total nonoperating revenues were \$64.6 million decreasing by \$1.9 million from the previous year. The major revenue source in nonoperating revenues was state aid of \$36.4 million, increasing by \$1.4 million or 4% from the previous year. County appropriations increased by \$189,592.00 or 2% from the previous year. These increases were attributed to the overall growth of the College to meet the educational needs of the community. Total noncapital grants decreased by \$4 million. Noncapital grants for student financial aid decreased by \$1.6 million attributed to a decrease in Pell grant awards during the year. Other noncapital grants decreased by \$2.4 million with the DOL Bioscience Credentials grant decreasing by \$2.1 million. Noncapital gifts increased by \$536,772.58 due to the College receiving new gifts in fiscal year 2017. This included a \$200,000.00 gift from Wells Fargo to be used for computer information technology, cyber-security, and work based learning and a \$350,000.00 gift from the Kate B. Reynolds Charitable Trust for the College's Health Technologies Division.

Total other revenues, which primarily account for capital funding, were \$7.3 million decreasing by \$896,125.75 from the previous year. The major decreases occurred in state and county capital aid by \$409,004.35 and \$820,309.62, respectively. The decrease of \$409,004.35 in state capital aid pertained to reduced funding for educational equipment. The decrease of \$820,309.62 in county capital aid was due to the completion of two construction projects during the fiscal year, the Stokes County Center and the Carolina Building renovation. There was an increase in capital gifts by \$329,066.40 for educational equipment.

A detailed schedule of revenues is presented below to provide additional comparative financial data.

	2017	2016	Dollar Increase (Decrease)
Operating Revenues:			
Student Tuition and Fees, Net	\$ 8,234,073.28	\$ 8,251,496.21	\$ (17,422.93)
Sales and Services, Net	2,250,138.03	2,321,528.54	(71,390.51)
Other Operating Revenues	200.45	136.95	63.50
Total Operating Revenues	10,484,411.76	10,573,161.70	(88,749.94)
Nonoperating Revenues:			
State Aid	36,416,839.70	35,005,560.42	1,411,279.28
County Appropriations	9,817,431.00	9,627,839.00	189,592.00
Noncapital Grants - Student Financial Aid	12,940,943.12	14,537,203.20	(1,596,260.08)
Noncapital Grants	4,484,468.72	6,927,568.30	(2,443,099.58)
Noncapital Gifts	921,219.93	384,447.35	536,772.58
Investment Income	47,610.03	34,265.80	13,344.23
Total Nonoperating Revenues	64,628,512.50	66,516,884.07	(1,888,371.57)
Other Revenues:			
State Capital Aid	1,177,491.03	1,586,495.38	(409,004.35)
County Capital Aid	5,675,188.51	6,495,498.13	(820,309.62)
Capital Grants	110,498.37	106,176.55	4,321.82
Capital Gifts	339,046.40	9,980.00	329,066.40
Additions to Endowments		200.00	(200.00)
Total Other Revenues	7,302,224.31	8,198,350.06	(896,125.75)
Total Revenues	\$ 82,415,148.57	\$ 85,288,395.83	\$ (2,873,247.26)

Fiscal year 2016-2017 total revenues were \$82,415,148.57 and total expenses were \$80,989,943.22.

Fiscal year 2015-2016 total revenues were \$85,288,395.83 and total expenses were \$81,316,621.68.

Expenses for fiscal year 2017 totaled \$81 million, decreasing by \$326,678.46 from the previous year. The largest expense was for salaries and benefits totaling \$51.3 million or 63.3% of the total expenses during the year. This was an increase of \$2.5 million or 5% due to the pension expense adjustment and salary raises made during the current fiscal year. Supplies and materials totaling \$10.9 million or 13.4% of the total expenses increased by \$407,723.97 due to additional noncapitalized equipment purchased for the completed Stokes County Center during the current year. Services totaling \$8.9 million or 10.9% of total expenses decreased by \$1.7 million or 16%. The decrease was attributed to a decrease in contracted services related to the DOL Bioscience Credentials grant, which ended during the current fiscal year. Scholarships and fellowships decreased by \$1.1 million or 17.7% due to a decrease in Pell awards for the current year. This decrease is attributed to a decline in students eligible for this award.

Remaining significant changes in expenses during fiscal year 2017 consisted of a decrease in other nonoperating expenses by \$593,017.35. During the previous fiscal year, there was a

transfer of equipment to another state operated community college creating a loss on the disposal of capital assets.

A detailed schedule of expenses is presented below to provide additional comparative financial data.

	2017	2016	Dollar Increase (Decrease)
Operating Expenses:			
Salaries and Benefits	\$ 51,313,562.26	\$ 48,844,086.19	\$ 2,469,476.07
Supplies and Materials	10,882,600.07	10,474,876.10	407,723.97
Services	8,865,951.25	10,549,465.37	(1,683,514.12)
Scholarships and Fellowships	5,043,396.63	6,127,694.16	(1,084,297.53)
Utilities	1,645,852.29	1,632,483.93	13,368.36
Depreciation	3,180,977.41	3,037,395.27	143,582.14
Total Operating Expenses	80,932,339.91	80,666,001.02	266,338.89
Other Nonoperating Expenses	57,603.31	650,620.66	(593,017.35)
Total Expenses	\$ 80,989,943.22	\$ 81,316,621.68	\$ (326,678.46)

Outstanding commitments for capital projects as of June 30, 2017 were \$729,150.60. The largest commitment was \$273,750.00 for Main Campus renovations. Other commitments pertain to paving projects at multiple sites for \$208,900.00, the upfit of a childcare facility for \$102,600.00, the Oak Grove Center and Main Campus renovations for \$68,500.00, the Stokes County Center for \$53,389.60, the Carolina Building for \$11,636.00, and other miscellaneous projects totaling \$10,375.00.

Financial Position - The following schedule shows changes between the Statement of Net Position for fiscal years 2017 and 2016.

	2017	2016	Dollar Increase (Decrease)
Assets:			
Capital Assets, Net	\$ 115,639,622.43	\$ 114,666,959.71	\$ 972,662.72
Other Assets	15,265,052.45	14,599,577.41	665,475.04
Total Assets	130,904,674.88	129,266,537.12	1,638,137.76
Deferred Outflows of Resources:			
Deferred Outflows Related to Pensions	13,064,567.00	3,362,616.00	9,701,951.00
Liabilities:			
Long-Term Current Liabilities	314,440.01	358,253.64	(43,813.63)
Long-Term Noncurrent Liabilities	21,534,312.26	10,377,681.30	11,156,630.96
Other Liabilities	3,241,897.22	3,667,778.14	(425,880.92)
Total Liabilities	25,090,649.49	14,403,713.08	10,686,936.41
Deferred Inflows of Resources:			
Deferred Inflows Related to Pensions	912,707.00	1,684,760.00	(772,053.00)
Net Position:			
Net Investment in Capital Assets	115,146,973.00	114,031,306.45	1,115,666.55
Restricted	7,453,422.65	6,949,101.76	504,320.89
Unrestricted	(4,634,510.26)	(4,439,728.17)	(194,782.09)
Total Net Position	\$ 117,965,885.39	\$ 116,540,680.04	\$ 1,425,205.35

The College's net position totaled \$118 million at June 30, 2017, an increase of \$1.4 million from the previous year. The total net position consists of \$115.1 million net investment in capital assets, \$7.5 million restricted net position, and a \$4.6 million deficit in unrestricted net position. Of the \$7.5 million restricted net position, \$3.3 million was restricted for capital projects and \$4.2 million was restricted for grants, student support, and other restricted purposes. The deficit amount of \$4.6 million in unrestricted net position was mainly attributed to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* made in fiscal year 2015.

The College's assets totaled \$130.9 million at June 30, 2017, an increase of \$1.6 million. Capital assets, net of depreciation, amounted to \$115.6 million, representing 88.3% of total assets, an increase from the previous year of \$1 million or 0.85%. This increase is primarily due to the completion of two construction projects completed during the fiscal year: the new Stokes County Center and the Carolina Building renovation totaling \$7.4 million. In addition, machinery and equipment purchases were made related to these completed construction projects during the year. Buildings, net of accumulated depreciation, the largest capital assets category, totaled \$96.2 million and represented 83.2% of the total capital assets. Refer to Note 6 of the Notes to the Financial Statements for more information about the College's capital assets.

Other assets increased by \$665,475.04. Total cash and cash equivalents at June 30, 2017 was \$12.2 million, representing 9.3% of total assets, and consisting of an increase of \$1.4 million compared to the prior year's cash total of \$10.8 million. This is primarily due to an increase of \$439,736.03 in unrestricted cash due to fewer purchases made for the bookstore and an increase in restricted cash received related to noncapital gifts in the amount of \$536,772.58. Remaining increase in cash was mainly due to fewer services expended during the current year. Total receivables, net amounted to \$2.2 million, representing 1.6% of total assets, a decrease from the previous year of \$515,994.33 or 19.3%. This decrease consists primarily of a \$399,960.34 decrease in intergovernmental receivables due to the completion of the DOL grant mentioned previously.

Total liabilities at fiscal year ended June 30, 2017 were \$25.1 million. Total long-term liabilities were \$21.8 million at year-end, of which \$3.1 million represented liabilities for accrued vacation and \$18.7 million represented net pension liability for employees. Noncurrent long-term liabilities increased by \$11.2 million from the previous year, which was primarily due to the change in the College's proportionate share of the collective net pension liability for the Teachers' and State Employees' Retirement System. Refer to Note 8 of the Notes to the Financial Statements for more information about the College's long-term liabilities. Other liabilities, consisting mainly of accounts payable, accrued payroll, and unearned revenue, totaled approximately \$3.2 million or 12.9% of the total liabilities at fiscal year-end. This was a decrease from the prior year of \$425,880.92 primarily due to a decrease in year-end accruals related to the DOL Bioscience Credentials grant that was completed in the current fiscal year.

Deferred outflows related to pensions for the College were \$13.1 million at June 30, 2017. This was an increase from the prior year of \$9.7 million because of a change in actuarial assumptions by the pension plan trustees. Approximately \$3 million of this deferred outflow will reduce the net pension liability for the year ended June 30, 2018. The College also recorded deferred inflows related to pensions in the amount of \$912,707.00. This amount represents the net amount of the College's pension deferrals that will decrease pension expense in fiscal years 2018 to 2021. For more information about the College's deferred

outflows and inflows related to pensions, refer to Note 12 of the Notes to the Financial Statements.

Future Operations - On July 10, 2017, Forsyth Technical Community College contracted with Barnes and Noble for the operation of the bookstore. This will have a direct impact to future revenues related to the bookstore and remove the need for scholarship discounting related to this revenue.

The economic position of Forsyth Technical Community College is closely tied to that of the State of North Carolina. State and county funding totaled \$53.1 million, up from the previous year by \$371,557.31 with the increase being attributed to funding for state and county operating expenses. Any changes in the state and local economy would have an impact on the funding available for the College in future years.



FINANCIAL STATEMENTS

Forsyth Technical Community College
Statement of Net Position
June 30, 2017

Exhibit A-1

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 4,874,182.03
Restricted Cash and Cash Equivalents	4,276,630.55
Receivables, Net (Note 5)	847,957.57
Inventories	925,002.72
Notes Receivable	1,344.08
Total Current Assets	<u>10,925,116.95</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	3,037,720.61
Receivables	1,302,214.89
Capital Assets - Nondepreciable (Note 6)	5,268,836.95
Capital Assets - Depreciable, Net (Note 6)	110,370,785.48
Total Noncurrent Assets	<u>119,979,557.93</u>
Total Assets	<u>130,904,674.88</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	<u>13,064,567.00</u>
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LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	2,488,032.38
Unearned Revenue	704,539.87
Funds Held for Others	49,324.97
Long-Term Liabilities - Current Portion (Note 8)	314,440.01
Total Current Liabilities	<u>3,556,337.23</u>
Noncurrent Liabilities:	
Long-Term Liabilities (Note 8)	<u>21,534,312.26</u>
Total Liabilities	<u>25,090,649.49</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	<u>912,707.00</u>
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NET POSITION

Net Investment in Capital Assets	115,146,973.00
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	327,418.97
Expendable:	
Scholarships and Fellowships	357,542.58
Loans	204,341.82
Capital Projects	3,347,151.07
Restricted for Specific Programs	3,216,968.21
Unrestricted	<u>(4,634,510.26)</u>
Total Net Position	<u>\$ 117,965,885.39</u>

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

***Forsyth Technical Community College
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2017***

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 10)	\$ 8,234,073.28
Sales and Services, Net (Note 10)	2,250,138.03
Other Operating Revenues	200.45
Total Operating Revenues	<u>10,484,411.76</u>

EXPENSES

Operating Expenses:

Salaries and Benefits	51,313,562.26
Supplies and Materials	10,882,600.07
Services	8,865,951.25
Scholarships and Fellowships	5,043,396.63
Utilities	1,645,852.29
Depreciation	3,180,977.41
Total Operating Expenses	<u>80,932,339.91</u>
Operating Loss	<u>(70,447,928.15)</u>

NONOPERATING REVENUES (EXPENSES)

State Aid	36,416,839.70
County Appropriations	9,817,431.00
Noncapital Grants - Student Financial Aid	12,940,943.12
Noncapital Grants	4,484,468.72
Noncapital Gifts	921,219.93
Investment Income	47,610.03
Other Nonoperating Expenses	(57,603.31)
Net Nonoperating Revenues	<u>64,570,909.19</u>
Loss Before Other Revenues	<u>(5,877,018.96)</u>

State Capital Aid	1,177,491.03
County Capital Aid	5,675,188.51
Capital Grants	110,498.37
Capital Gifts	339,046.40
Increase in Net Position	<u>1,425,205.35</u>

NET POSITION

Net Position, July 1, 2016	<u>116,540,680.04</u>
Net Position, June 30, 2017	<u>\$ 117,965,885.39</u>

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

***Forsyth Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017***

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

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 10,761,149.23
Payments to Employees and Fringe Benefits	(50,639,886.73)
Payments to Vendors and Suppliers	(21,673,620.81)
Payments for Scholarships and Fellowships	(5,043,223.32)
Collection of Loans to Students	175.00
Other Receipts	20,226.56
	<hr/>
Net Cash Used by Operating Activities	(66,575,180.07)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	36,416,839.70
County Appropriations	9,817,431.00
Noncapital Grants - Student Financial Aid	12,943,359.52
Noncapital Grants	4,881,305.66
Noncapital Gifts	921,219.93
William D. Ford Direct Lending Receipts	10,407,881.00
William D. Ford Direct Lending Disbursements	(10,407,881.00)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	64,980,155.81

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,177,491.03
County Capital Aid	5,554,655.89
Capital Grants	110,498.37
Capital Gifts	111,073.40
Acquisition and Construction of Capital Assets	(4,038,337.51)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	2,915,381.18

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	47,610.03
	<hr/>
Net Increase in Cash and Cash Equivalents	1,367,966.95
Cash and Cash Equivalents, July 1, 2016	10,820,566.24
	<hr/>
Cash and Cash Equivalents, June 30, 2017	\$ 12,188,533.19

Forsyth Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (70,447,928.15)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,180,977.41
Nonoperating Other Income	10,736.31
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	237,098.61
Inventories	186,497.58
Notes Receivable	175.00
Deferred Outflows for Pensions	(9,701,951.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(430,852.58)
Unearned Revenue	39,812.17
Net Pension Liability	11,296,499.00
Funds Held for Others	9,490.25
Deferred Inflows for Pensions	(772,053.00)
Compensated Absences	(183,681.67)
Net Cash Used by Operating Activities	<u><u>\$ (66,575,180.07)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 4,874,182.03
Restricted Cash and Cash Equivalents	4,276,630.55
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>3,037,720.61</u>
Total Cash and Cash Equivalents - June 30, 2017	<u><u>\$ 12,188,533.19</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 222,942.95
Assets Acquired through a Gift	227,973.00
Loss on Disposal of Capital Assets	(68,339.62)

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

Forsyth Technical Community College Foundation, Inc.
Statement of Financial Position
June 30, 2017

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	2,793,151
Pledges Receivable, Net		3,413,711
Accounts Receivable		145,638
Investments		4,752,402
Investment in Life Insurance Policy		73,597
Land		190,000
		<hr/>
Total Assets	\$	<u>11,368,499</u>

LIABILITIES

Total Liabilities	\$	<u>0</u>
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NET ASSETS

Unrestricted		4,814,893
Temporarily Restricted		3,234,306
Permanently Restricted		<u>3,319,300</u>
		<hr/>
Total Net Assets		<u>11,368,499</u>
		<hr/>
Total Liabilities and Net Assets	\$	<u>11,368,499</u>

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

Forsyth Technical Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

Support and Revenues:

Contributions	\$ 781,312
Investment Income, Net of Fees	36,134
Change in Market Value of Investments	30,492
Net Assets Released From Restrictions	<u>1,158,448</u>
Total Unrestricted Support and Revenues	<u>2,006,386</u>

Expenses:

Program Services	1,259,615
Fundraising	166,570
Management and General	<u>22,451</u>
Total Expenses	<u>1,448,636</u>

Increase in Unrestricted Net Assets	<u>557,750</u>
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CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Support and Revenues:

Contributions	2,342,479
Investment Income, Net of Fees	64,031
Change in Market Value of Investments	138,556
Transfers Out	(113,872)
Net Assets Released From Restrictions	<u>(1,158,448)</u>

Increase in Temporarily Restricted Net Assets	<u>1,272,746</u>
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CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Support and Revenues:

Contributions	369,410
Investment Income, Net of Fees	18,711
Change in Market Value of Investments	31,978
Transfers In	<u>113,872</u>

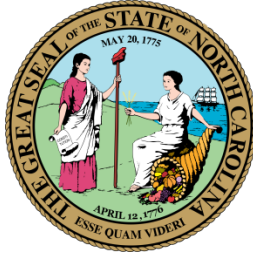
Increase in Permanently Restricted Net Assets	<u>533,971</u>
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Increase in Net Assets	2,364,467
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Net Assets at Beginning of Year	<u>9,004,032</u>
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Net Assets at End of Year	<u>\$ 11,368,499</u>
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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. Forsyth Technical 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. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

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

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of at least 10 and no more than 30 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2017, the Foundation distributed \$855,368.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Forsyth Technical Community College Foundation, Inc., 2100 Silas Creek Parkway, Winston-Salem, NC 27103.

- 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 aid, 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 petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The College's equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 3.
- E. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from 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.
- F. Inventories** - Inventories, consisting of postage and expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

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:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	50-55 years
Machinery and Equipment	5-50 years
General Infrastructure	50 years

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

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

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2016 *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 of resources and deferred inflows of resources related to pensions.

J. Compensated Absences - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on

annual leave carried forward described above and is not subject to conversion to sick leave.

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

- K. Deferred Outflows/Inflows of Resources** - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows for pensions qualifies for reporting in this category.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. Deferred inflows for pensions qualifies for reporting in this category.

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

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

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

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

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

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

unrestricted net position include consideration of deferred outflows of resources and deferred 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

College

The College is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute 115D-58.7*. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling \$4,900.00, and deposits in private financial institutions with a carrying value of \$7,325,602.74 and a bank balance of \$7,487,350.62.

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, 2017, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6(d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3 (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, 2017, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$4,858,030.45, 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 1.6 years as of June 30, 2017. 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 North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

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.

Component Unit

Deposits - All funds of the College's discretely presented component unit, Forsyth Technical Community College Foundation, Inc. (Foundation), are deposited in board-designated official depositories or with the State Treasurer. The Foundation had the following balances in established accounts at June 30, 2017:

Cash on Deposit with Private Financial Institutions	\$ 433,877
Cash on Deposit with State Treasurer	<u>2,359,274</u>
Total Deposits	<u>\$ 2,793,151</u>

The cash on deposit with the State Treasurer is pooled with state agencies and similar institutions in the State Treasurer's Short-Term Investment Fund. These moneys are invested in accordance with G.S. 147-69.1 and as required by law are "readily convertible into cash." All investments of the funds are held either by the Department of the State Treasurer or its agent in the State's name. The fund's uninvested cash is either covered by federal depository

insurance or, pursuant to 20 NCAC 7, is collateralized to secure all deposits in excess of the federal depository insurance coverage.

The Foundation maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash.

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

Investment Type	Amount
Money Market Funds	\$ 756,950
Fixed Income Funds Domestic	600,082
Fixed Income Funds International	315,565
Equity Funds Domestic	1,439,902
Equity Funds International	707,136
Complementary Strategies	468,791
Real Estate Funds	463,976
Cash Value of Insurance	73,597
Land	190,000
Total Investments	<u>\$ 5,015,999</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

College

To the extent available, the College's investments are recorded at fair value as of June 30, 2017. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

Short-Term Investment Fund - At year-end, all of the College's investments valued at \$4,858,030.45 were held in the STIF which is a Level 2 investment. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian.

Component Unit

FASB ASC 820-10, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. If no Level 1 inputs were available, Level 2 inputs were used where available to the Foundation, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

The Foundation's investments are reported at fair value as follows:

	Fair Value	Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Money Market Funds	\$ 756,950	\$ 756,950	\$ 0	\$ 0
Fixed Income Funds Domestic	600,082	600,082		
Fixed Income Funds International	315,565	315,565		
Equity Funds Domestic	1,439,902	1,439,902		
Equity Funds International	707,136	707,136		
Complementary Strategies	468,791	468,791		
Real Estate Funds	463,976	463,976		
Cash Value of Insurance	73,597		73,597	
Land	190,000			190,000
Total Investments by Fair Value Level	\$ 5,015,999	\$ 4,752,402	\$ 73,597	\$ 190,000

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted net asset values of the shares held by the Foundation at year-end. The fair values of common stock, corporate bonds, and U.S. Governmental securities are based on quoted market prices.

Level 2 Fair Value Measurements

Inputs to the valuation methodology include:

- Quotes prices for similar assets or liabilities in active markets;
- Quotes prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Fair Value Measurements

The fair value of these types of investments is based upon other methods since these investments are not actively traded and significant other observable inputs are not available.

	<u>Land</u>
Beginning balance July 1, 2016	\$ 190,000
Total Gains or Losses (Realized and Unrealized) Included in Changes in Net Assets Available for Benefits	
Additional Contributions for the Year	
	<u> </u>
Ending Balance June 30, 2017	<u>\$ 190,000</u>

Gains and losses (realized and unrealized) are reported on the statement of activities for the year ended June 30, 2017.

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, 2017, net appreciation of \$19,293.49 was available to be spent, all of which was classified in net position as restricted for expendable scholarships and fellowships as it is restricted for specific purposes.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2017, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,748,973.52	\$ 2,386,781.29	\$ 362,192.23
Student Sponsors	116,089.71		116,089.71
Accounts	217,467.47		217,467.47
Intergovernmental	152,208.16		152,208.16
Total Current Receivables	<u>\$ 3,234,738.86</u>	<u>\$ 2,386,781.29</u>	<u>\$ 847,957.57</u>

NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2017, is presented as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets, Nondepreciable:				
Land	\$ 5,165,802.42	\$ 0.00	\$ 0.00	\$ 5,165,802.42
Construction in Progress	4,979,583.25	2,772,383.50	7,648,932.22	103,034.53
Total Capital Assets, Nondepreciable	<u>10,145,385.67</u>	<u>2,772,383.50</u>	<u>7,648,932.22</u>	<u>5,268,836.95</u>
Capital Assets, Depreciable:				
Buildings	113,497,647.62	7,648,932.22		121,146,579.84
Machinery and Equipment	16,233,712.89	1,449,596.25	161,029.14	17,522,280.00
General Infrastructure	4,257,287.04			4,257,287.04
Total Capital Assets, Depreciable	<u>133,988,647.55</u>	<u>9,098,528.47</u>	<u>161,029.14</u>	<u>142,926,146.88</u>
Less Accumulated Depreciation for:				
Buildings	22,601,999.13	2,304,013.91		24,906,013.04
Machinery and Equipment	5,851,650.83	791,817.76	92,689.52	6,550,779.07
General Infrastructure	1,013,423.55	85,145.74		1,098,569.29
Total Accumulated Depreciation	<u>29,467,073.51</u>	<u>3,180,977.41</u>	<u>92,689.52</u>	<u>32,555,361.40</u>
Total Capital Assets, Depreciable, Net	<u>104,521,574.04</u>	<u>5,917,551.06</u>	<u>68,339.62</u>	<u>110,370,785.48</u>
Capital Assets, Net	<u>\$ 114,666,959.71</u>	<u>\$ 8,689,934.56</u>	<u>\$ 7,717,271.84</u>	<u>\$ 115,639,622.43</u>

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2017, were as follows:

	<u>Amount</u>
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 1,044,736.60
Accrued Payroll	1,220,352.83
Contract Retainage	<u>222,942.95</u>
Total Current Accounts Payable and Accrued Liabilities	<u>\$ 2,488,032.38</u>

NOTE 8 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2017, is presented as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Current Portion</u>
Net Pension Liability	\$ 7,409,091.00	\$ 11,296,499.00	\$ 0.00	\$ 18,705,590.00	\$ 0.00
Compensated Absences	<u>3,326,843.94</u>	<u>2,239,043.17</u>	<u>2,422,724.84</u>	<u>3,143,162.27</u>	<u>314,440.01</u>
Total Long-Term Liabilities	<u>\$ 10,735,934.94</u>	<u>\$ 13,535,542.17</u>	<u>\$ 2,422,724.84</u>	<u>\$ 21,848,752.27</u>	<u>\$ 314,440.01</u>

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

NOTE 9 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for the rental of equipment and facilities. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2017:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 521,424.90
2019	531,782.83
2020	542,456.78
2021	553,249.27
2022	564,361.68
2023-2027	<u>1,113,347.34</u>
Total Minimum Lease Payments	<u>\$ 3,826,622.80</u>

Rental expense for all operating leases during the year was \$605,956.32.

NOTE 10 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$ 14,586,726.64</u>	<u>\$ 6,214,630.99</u>	<u>\$ 138,022.37</u>	<u>\$ 8,234,073.28</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 240,732.74	\$ 0.00	\$ 1,391.29	\$ 239,341.45
Bookstore	5,113,057.57	3,118,810.52	95,608.31	1,898,638.74
Parking	39,300.64			39,300.64
Other	58,028.44		6,318.08	51,710.36
Sales and Services of Education and Related Activities	<u>21,146.84</u>			<u>21,146.84</u>
Total Sales and Services, Net	<u>\$ 5,472,266.23</u>	<u>\$ 3,118,810.52</u>	<u>\$ 103,317.68</u>	<u>\$ 2,250,138.03</u>

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	\$ 28,194,611.33	\$ 3,849,401.30	\$ 2,943,365.88	\$ 0.00	\$ 0.00	\$ 0.00	\$ 34,987,378.51
Academic Support	6,750,459.56	221,086.88	159,664.60				7,131,211.04
Student Services	4,443,458.82	146,570.91	347,831.68				4,937,861.41
Institutional Support	9,344,872.53	446,587.03	1,794,431.04		200,306.99		11,786,197.59
Operations and Maintenance of Plant	1,826,274.33	2,048,208.30	3,227,926.97		1,445,545.30		8,547,954.90
Student Financial Aid			4,184.48	5,043,396.63			5,047,581.11
Auxiliary Enterprises	753,885.69	4,170,745.65	388,546.60				5,313,177.94
Depreciation						3,180,977.41	3,180,977.41
Total Operating Expenses	<u>\$ 51,313,562.26</u>	<u>\$ 10,882,600.07</u>	<u>\$ 8,865,951.25</u>	<u>\$ 5,043,396.63</u>	<u>\$ 1,645,852.29</u>	<u>\$ 3,180,977.41</u>	<u>\$ 80,932,339.91</u>

NOTE 12 - PENSION PLANS**Defined Benefit Plan**

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. 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 annual pay. The contribution rate for employers is set each year by the North Carolina 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, 2017 was 9.98% of covered payroll. Employee contributions to the pension plan were \$1,823,834.67, and the College's contributions were \$3,033,645.00 for the year ended June 30, 2017.

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 2016 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <http://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the

retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-Term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and External Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. 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 2016 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2017, the College reported a liability of \$18,705,590.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, and update procedures were used to roll forward the total pension liability to June 30, 2016. 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, 2016, the College's proportion was 0.20352%, which was an increase of 0.00247 from its proportion measured as of June 30, 2015.

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	12/31/2015
Inflation	3%
Salary Increases*	3.50% - 8.10%
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, 2015 valuations were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2016 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Credit	6.0%
Inflation Protection	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of 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 3.05%. Return projections do not include any excess return expectations over benchmark averages. 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 at June 30, 2016

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		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 35,181,600.81	\$ 18,705,590.00	\$ 4,851,524.01

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2017, the College recognized pension expense of \$3,853,145.00. At June 30, 2017, 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	\$ 884,052.00
Changes of Assumptions	2,758,620.00	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,671,013.00	
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	601,289.00	28,655.00
Contributions Subsequent to the Measurement Date	3,033,645.00	
Total	\$ 13,064,567.00	\$ 912,707.00

The amount of \$3,033,645.00 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, 2018. 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
2018	\$ 1,691,233.00
2019	1,675,449.00
2020	3,683,673.00
2021	2,067,860.00
Total	\$ 9,118,215.00

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 period July 1, 2016 through December 31, 2016, the College contributed 5.60% of the covered payroll under TSERS to the Fund, and for the period January 1, 2017 through June 30, 2017, the College contributed 6.02% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2016, and 2015, were 5.60% and 5.49%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2017, 2016, and 2015, which were \$1,766,079.91, \$1,679,025.20, and \$1,623,503.55, 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, 2017, the College made a statutory contribution of .38% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2016, and 2015, were .41% in both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2017, 2016, and 2015, which were \$115,509.53, \$122,928.63, and \$121,245.26, 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. In addition, the College is protected for losses from employee dishonesty and computer fraud for employees paid from county and institutional funds by contracts with private insurance companies.

4. Statewide Workers' Compensation Program

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

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

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 \$729,150.60 and on other purchases were \$560,307.42 at June 30, 2017.

NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

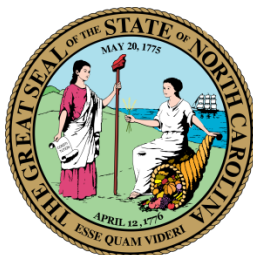
For the fiscal year ended June 30, 2017, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*

GASB Statement No. 82, *Pension Issues - An amendment of GASB Statement No. 67, No. 68, and No. 73*

GASB Statement No. 80 clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

GASB Statement No. 82 addresses certain issues with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.



REQUIRED SUPPLEMENTARY INFORMATION

Forsyth Technical Community College
Required Supplementary Information
Schedule of the Proportionate Net Pension Liability
Teachers' and State Employees' Retirement System
Last Four Fiscal Years

Exhibit C-1

	2016	2015	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	0.20352%	0.20105%	0.20503%	0.18960%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 18,705,590.00	\$ 7,409,091.00	\$ 2,403,815.00	\$ 11,510,652.00
Covered Payroll	\$ 29,982,592.79	\$ 29,572,013.66	\$ 28,963,772.61	\$ 27,791,990.87
Net Pension Liability as a Percentage of Covered Payroll	62.39%	25.05%	8.30%	41.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	94.64%	98.24%	90.60%

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

Exhibit C-2

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 3,033,645.00	\$ 2,743,407.24	\$ 2,705,839.25	\$ 2,516,951.84	\$ 2,315,072.84
Contributions in Relation to the Contractually Determined Contribution	<u>3,033,645.00</u>	<u>2,743,407.24</u>	<u>2,705,839.25</u>	<u>2,516,951.84</u>	<u>2,315,072.84</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Covered Payroll	\$ 30,397,244.49	\$ 29,982,592.79	\$ 29,572,013.66	\$ 28,963,772.61	\$ 27,791,990.87
Contributions as a Percentage of Covered Payroll	9.98%	9.15%	9.15%	8.69%	8.33%

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$ 1,916,703.34	\$ 1,196,246.67	\$ 823,688.52	\$ 762,309.54	\$ 659,003.21
Contributions in Relation to the Contractually Determined Contribution	<u>1,916,703.34</u>	<u>1,196,246.67</u>	<u>823,688.52</u>	<u>762,309.54</u>	<u>659,003.21</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Covered Payroll	\$ 25,762,141.56	\$ 24,264,638.28	\$ 23,072,507.56	\$ 22,687,783.77	\$ 21,606,662.58
Contributions as a Percentage of Covered Payroll	7.44%	4.93%	3.57%	3.36%	3.05%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the pension RSI tables.

Forsyth Technical 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:

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

Changes of assumptions. In 2008, 2012, and 2015, the actuarial assumptions were updated to more closely reflect actual experience. In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement systems' actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience.

The Notes to Required Supplementary Information reflects information included in the State of North Carolina's 2016 *Comprehensive Annual Financial Report*.



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
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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
Forsyth Technical Community College
Winston-Salem, 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 Forsyth Technical 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, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 21, 2018. Our report includes a reference to other auditors who audited the financial statements of Forsyth Technical Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Forsyth Technical 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 this entity.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be

prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 21, 2018

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This audit required 378 hours at an approximate cost of \$38,934.