STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

VANCE-GRANVILLE COMMUNITY COLLEGE

HENDERSON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2017

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA

THE GREAT SEAL OF THE STATE OF NORTH CAROLINA

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The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Vance-Granville 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.

Beth A. Wood, CPA
State Auditor

Beth A. Wood, CPA
State Auditor

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Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency 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
Vance-Granville Community College
Henderson, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Vance-Granville 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 the Vance-Granville Community College Endowment Fund Corporation, the College's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Vance-Granville Community College Endowment Fund Corporation, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Vance-Granville Community College Endowment Fund Corporation 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 Vance-Granville 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 9, 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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 9, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Financial Statements

In accordance with GASB Statements No. 34 and No. 35, the enclosed report focuses on the financial condition of the College, the results of operations, and cash flows of the College as a whole. As required, this report contains three basic financial statements and the Notes to the Financial Statements:

> <u>Statement of Net Position</u>: This statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The College's net position, (the difference between assets plus deferred outflows and liabilities plus deferred inflows) is an indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels (Exhibit A-1).
>
> <u>Statement of Revenues, Expenses, and Changes in Net Position</u>: This statement presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. This approach is intended to summarize and simplify the presentation of the College's services to the students and public (Exhibit A-2).
>
> <u>Statement of Cash Flows</u>: This statement presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities, and helps measure the ability of the College to meet financial obligations as they mature (Exhibit A-3).
>
> <u>Notes to the Financial Statements</u>: The notes provide additional information that is essential for a complete understanding of the data provided in the statements.

In accordance with GASB Statements No. 39 and No. 61, the enclosed report also contains the Vance-Granville Community College Endowment Fund Corporation's (Corporation) "Statement of Financial Position" (Exhibit B-1) and "Statement of Activities" (Exhibit B-2). GASB Statements No. 39, *Determining Whether Certain Organizations are Component Units* and No. 61, *The Financial Reporting Entity Omnibus,* clarify GASB Statement No. 14, *The Financial Reporting Entity*, as to which organizations affiliated with the College, but separately accountable, should be reported as a component unit based on the organization's nature and significance to the College. The Notes to the Financial Statements do not address the Corporation unless specified.

Financial Highlights

The assets of the College are divided between current and noncurrent assets. Current assets include cash, receivables, funds due from the State of North Carolina, and inventories. Noncurrent assets include cash, long-term investments, bond funds for construction due from the State, and capital assets. Below is a condensed comparative analysis of the Statement of Net Position for the years ended June 30, 2017 and June 30, 2016.

Condensed Statement of Net Position
For the Year Ended June 30, 2017 with Comparative Data for the Year Ended June 30, 2016

	2017	2016	Change Amount	Change Percent
Assets				
Current Assets	$ 7,545,577.63	$ 9,514,797.44	$ (1,969,219.81)	(20.70%)
Capital Assets, Net	28,233,871.37	29,237,630.50	(1,003,759.13)	(3.43%)
Other Noncurrent Assets	4,352,551.23	2,417,327.80	1,935,223.43	80.06%
Total Assets	40,132,000.23	41,169,755.74	(1,037,755.51)	(2.52%)
Deferred Outflows of Resources	6,174,922.00	1,448,156.00	4,726,766.00	326.40%
Liabilities				
Long-Term Liabilities - Current Portion	228,357.56	222,530.81	5,826.75	2.62%
Other Current Liabilities	767,851.43	775,864.58	(8,013.15)	(1.03%)
Long-Term Liabilities	10,921,773.73	5,510,628.94	5,411,144.79	98.19%
Total Liabilities	11,917,982.72	6,509,024.33	5,408,958.39	83.10%
Deferred Inflows of Resources	513,243.00	848,870.00	(335,627.00)	(39.54%)
Net Position				
Investment in Capital Assets	28,233,871.37	29,237,630.50	(1,003,759.13)	(3.43%)
Restricted Expendable	371,358.34	601,249.76	(229,891.42)	(38.24%)
Unrestricted	5,270,466.80	5,421,137.15	(150,670.35)	(2.78%)
TOTAL NET POSITION	$ 33,875,696.51	$ 35,260,017.41	$ (1,384,320.90)	(3.93%)

For the year ended June 30, 2017, the College's current assets decreased by $1,969,219.81, which can be attributed to $1,849,710.90 being moved from the Department of State Treasurer Short-Term Investment Fund (STIF) to noncurrent investments with First Citizens Wealth Management (FCWM) and an additional $58,016.02 being invested with FCWM from cash.

For the year ended June 30, 2017, the College's capital assets decreased by $1,003,759.13 mainly due to depreciation expense of $1,182,124.30 on capital assets in service during fiscal year 2017 exceeding the acquisition cost of capital assets.

The 80.06% increase in other noncurrent assets can be attributed to a $454,096.50 reduction to restricted due from primary government (capital improvement equipment transfer), a $2,319,376.56 increase to investments due to purchases with FCWM mentioned above plus income earned on investments, and a $69,943.37 increase to noncurrent restricted cash and cash equivalents (plant funds).

Deferred outflows of resources, which is related to pensions, increased by $4,726,766.00 from the prior year. This increase can be attributed to a change of assumption by the State that is used for calculating the pension liability. Additional details for the deferred outflows of resources are available in the Notes to the Financial Statements 1-L and 10.

Noncurrent long-term liabilities increased substantially from the prior year due to the change in actuarial assumptions related to pensions. The beginning net pension liability was

$3,823,024.00 and the ending net pension liability was $9,278,348.00. Additional details for the net pension liability are available in the Notes to the Financial Statements 7 and 10.

The deferred inflows of resources, which is related to pensions, is comprised of the difference between actual and expected experience as well as the net difference between projected and actual earnings on pension plan investments. At June 30, 2017, the College reported deferred inflows of resources related to pensions of $513,243.00. Additional details for the deferred inflows of resources are available in the Notes to the Financial Statements 1-L and 10.

Current Assets			
Cash and Cash Equivalents	$	6,312,526.20	15.73%
Receivables, Net		728,076.24	1.81%
Due from State of NC Component Units		33,002.86	0.08%
Inventories		471,972.33	1.18%
Sub-Total Current		7,545,577.63	
Noncurrent Assets			
Restricted Cash and Cash Equivalents		130,457.70	0.33%
Restricted Due from Prim. Gov't		35,649.17	0.09%
Investments		4,186,444.36	10.43%
Capital Assets, Net		28,233,871.37	70.35%
Sub-Total Noncurrent		32,586,422.60	
TOTAL ASSETS	$	40,132,000.23	100.00%

The composition of assets at June 30, 2017 is presented in the table to the left.

Total assets only had a decrease of $1,037,755.51 or 2.52% as compared to the prior year with the most significant change occurring in capital assets.

Additional details for the composition of assets are available in Exhibit A-1 and Notes to the Financial Statements 1-D, 1-E, 1-F, 1-G, 1-H, 1-I, 2, 3, 4, and 5.

Liabilities are classified as either current or noncurrent. Current liabilities are those due and payable within one year of the date of the financial statements, while noncurrent liabilities are due and payable one year or more after the date of the financial statements.

Total liabilities increased from the prior year by $5,408,958.39, an increase of 83.10%. The College's overall liability for compensated absences decreased by $38,352.46 due to an increase of payments made to employees retiring or leaving the College. The College's net pension liability, for the year ended June 30, 2017, was $9,278,348.00, which is an increase of $5,455,324.00 from beginning net pension liability of $3,823,024.00. Additional details for the net pension liability are available in the Notes to the Financial Statements 7 and 10.

The composition of liabilities on June 30, 2017 is presented in the table to the right.

Additional details for the composition of liabilities are available in Exhibit A-1 and Notes to the Financial Statements 1-J, 1-K, 6, and 7.

Current Liabilities			
Accounts Payable and Accrued Liabilities	$	506,892.31	4.25%
Unearned Revenue		195,212.05	1.64%
Funds Held for Others		65,747.07	0.55%
Compensated Absences		228,357.56	1.92%
Sub-Total Current		996,208.99	
Noncurrent Liabilities			
Net Pension Liability		9,278,348.00	77.85%
Compensated Absences		1,643,425.73	13.79%
Sub-Total Noncurrent		10,921,773.73	
TOTAL LIABILITIES	$	11,917,982.72	100.00%

Total net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The composition of the College's net position at June 30, 2017 is shown in the table below:

Net Position			
Investment in Capital Assets	$	28,233,871.37	83.35%
Restricted Expendable		371,358.34	1.10%
Unrestricted		5,270,466.80	15.55%
TOTAL NET POSITION	$	33,875,696.51	100.00%

As a result of the activity noted above, the College's net position at June 30, 2017 decreased to $33,875,696.51 from $35,260,017.41 at June 30, 2016, a decrease of $1,384,320.90. Investment in capital assets decreased $1,003,759.13 due to current year depreciation expense, and restricted expendable net position decreased $229,891.42 due to the completion of capital projects mentioned in the Capital Assets section below. Additional information on net position is available in Exhibit A-1 and Notes to the Financial Statements 1-M, and 5.

The table below is a condensed comparative analysis between the June 30, 2017 Statement of Revenues, Expenses, and Changes in Net Position (Exhibit A-2) contained herein and the year ended June 30, 2016.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017 with Comparative Data for the Year Ended June 30, 2016

			Change	
	2017	2016	Amount	Percent
Operating Revenues	$ 3,913,729.60	$ 4,207,436.16	$ (293,706.56)	(6.98%)
Nonoperating Revenues	25,361,668.34	25,846,364.30	(484,695.96)	(1.88%)
Other Revenues	858,225.04	1,907,533.03	(1,049,307.99)	(55.01%)
Total Revenues	30,133,622.98	31,961,333.49	(1,827,710.51)	(5.72%)
Operating Expenses	31,449,707.56	31,089,692.15	360,015.41	1.16%
Nonoperating Expenses	68,236.32	51,106.67	17,129.65	33.52%
Total Expenses	31,517,943.88	31,140,798.82	377,145.06	1.21%
INCREASE (DECREASE) IN NET POSITION	$ (1,384,320.90)	$ 820,534.67	$ (2,204,855.57)	(268.71%)

Revenues are presented as operating and nonoperating. Operating revenues are derived from activities that are necessary and essential to the mission of the College. As the table above illustrates, operating revenues decreased by $293,706.56, with the most significant change occurring in student tuition and fees. Student tuition and fees decreased by $293,331.68 due to a decline in enrollment.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. For instance, a gift to the College is a nonexchange transaction because the College did not exchange a good or service to receive the gift. Nonoperating revenues, net of nonoperating expenses, decreased $501,825.61 over the previous year. This decrease is due to a $498,107.70 decrease in state aid, a $139,333.00 increase in county appropriations, a $687,132.77 decrease in noncapital grants - student financial aid, a $112,593.68 increase in other noncapital grants, and a $457,147.90 increase in investment income. Further discussion about these activities is provided below.

Other revenues include state and county appropriations for the acquisition, renovation, or construction of capital assets owned by the College. The $1,049,307.99 or 55.01% decrease is due to a $705,530.05 decrease in state capital aid and $343,777.94 decrease in county capital aid.

Operating expenses are all expenses except for those related to investing, capital and related financing, and noncapital financing activities. As the table above illustrates, operating expenses increased by $360,015.41. This increase was due to a $711,684.92 increase in salaries and benefits, $76,486.60 increase in supplies and materials, $203,753.72 decrease in services, $297,421.77 decrease in scholarships and fellowships expense, $4,684.22 increase in utilities, and $68,335.16 increase in depreciation expense. Operating expenses are presented in Exhibit A-2 by classification - salaries and benefits, supplies and materials, etc. An analysis of expenses by functional classification (i.e. instruction, financial aid, etc.) is shown in Note 9.

The table below presents the College's revenues for the fiscal year ended June 30, 2017 with comparative data for the fiscal year ended June 30, 2016.

			Change	
	2017	2016	Amount	Percent
Operating Revenues				
Student Tuition and Fees, Net	$ 2,258,140.56	$ 2,551,472.24	$ (293,331.68)	(11.50%)
State and Local Grants and Contracts	345,504.34	380,402.79	(34,898.45)	(9.17%)
Sales and Services, Net	1,278,139.33	1,223,281.98	54,857.35	4.48%
Other Operating Revenues	31,945.37	52,279.15	(20,333.78)	(38.89%)
Sub-Total Operating	3,913,729.60	4,207,436.16	(293,706.56)	(6.98%)
Nonoperating Revenues				
State Aid	16,260,456.64	16,758,564.34	(498,107.70)	(2.97%)
County Appropriations	2,353,631.00	2,214,298.00	139,333.00	6.29%
Noncapital Grants and Gifts	6,298,391.08	6,873,501.96	(575,110.88)	(8.37%)
Investment Income (Loss), Net	449,189.62	(7,958.28)	457,147.90	5744.31%
Other Nonoperating Expenses	(68,236.32)	(43,148.39)	(25,087.93)	58.14%
Sub-Total Nonoperating	25,293,432.02	25,795,257.63	(501,825.61)	(1.95%)
Other Revenues				
State Capital Aid	592,437.44	1,297,967.49	(705,530.05)	(54.36%)
County Capital Aid	265,787.60	609,565.54	(343,777.94)	(56.40%)
Sub-Total Other Revenues	858,225.04	1,907,533.03	(1,049,307.99)	(55.01%)
TOTAL REVENUES	$ 30,065,386.66	$ 31,910,226.82	$ (1,844,840.16)	(5.78%)

The sales and services increase is primarily due to a decrease of $130,005.51 in scholarship discounts (contra expense account) net of a decrease in sales related to bookstore, facilities rental, vending, daycare fees, and cosmetology services totaling $75,268.16.

The College receives appropriations from the State based on budgetary full-time equivalency (FTE). The state aid decrease of $498,107.70 or 2.97% is attributed to a decrease budgetary FTE which decreased from 3,463 in fiscal year 2015-2016 to 3,177 in fiscal year 2016-2017.

The College receives appropriations from Vance, Granville, Franklin, and Warren Counties to provide funds for the operation and maintenance of facilities in their respective counties. County appropriations increased $139,333.00 due to additional funding in fiscal year 2017.

Noncapital grants and gifts decreased $575,110.88 from the prior year primarily due to a decrease in noncapital grants - student financial aid of $687,132.77. This decrease resulted from fewer Pell grants awarded caused by a decline in enrollment. Other noncapital grants increased by $112,593.68 primarily due to the College receiving the H-1B TechHire Partnership Grant from the Department of Labor in the current fiscal year 2016-2017.

Investment income includes interest income earned from local bank institutions and the Department of State Treasurer Short-Term Investment Fund (STIF) as well as dividend income net of investment expenses, realized gains and losses, and unrealized gains and losses earned from investments. For the fiscal year ended June 30, 2017, interest income was $61,675.16, dividend income was $64,726.17 (net of investment expenses of $24,177.18), realized gains were $96,809.09, and unrealized gains were $225,979.20 due to an improvement in the investment market. The College utilizes the STIF for short-term investments and First Citizens Wealth Management for long-term investments. The College also has an annuity contract with AXA Equitable. Additional details for investments are available in Notes to the Financial Statements 2-B and 3.

State capital aid decreased 54.36% from the prior year due primarily to the fact that the College expended less in state equipment funds for capitalized and non-capitalized equipment than in the prior year. The prior year also included a transfer of $191,042.00 in state equipment funds to NCCCS Project #1991 (Building 10).

The 56.40% decrease in county capital aid is attributed to the difference in one-time allocation funding from Vance County for roof renovations and masonry projects for the Main Campus.

More information on the composition of revenues can be found in Exhibit A-2 and Notes 1-O and 8.

The table below presents the College's operating expenses for the fiscal year ended June 30, 2017, with comparative data for the fiscal year ended June 30, 2016.

Operating Expenses			Change	
	2017	2016	Amount	Percent
Salaries and Benefits	$ 21,898,611.02	$ 21,186,926.10	$ 711,684.92	3.36%
Supplies and Materials	3,142,240.61	3,065,754.01	76,486.60	2.49%
Services	2,445,709.73	2,649,463.45	(203,753.72)	(7.69%)
Scholarships and Fellowships	2,256,922.61	2,554,344.38	(297,421.77)	(11.64%)
Utilities	524,099.29	519,415.07	4,684.22	0.90%
Depreciation	1,182,124.30	1,113,789.14	68,335.16	6.14%
Total Operating Expenses	$ 31,449,707.56	$ 31,089,692.15	$ 360,015.41	1.16%

Salaries and benefits increased 3.36% due to increased costs for employer retirement and hospitalization in addition to the GASB 68 adjustment. The GASB 68 adjustment reclassified $1,407,625.00 of employer TSERS retirement contributions to deferred outflows of resources, and increased pension expense by $1,799,119.00. The pension expense is the change of net pension liability that is required to be recognized in the current fiscal year. Additional details for pension plan are available in Note 10.

Services decreased by 2.49% as compared to the prior year, which can be attributed to the prior year having payments of $155,937.90 to the four county public schools systems related to the Golden Leaf Manufacturing Skills Training Alliance, and the prior year having an audit fee of $39,699.00.

Scholarships and fellowships expense decreased $297,421.77 due to reductions in financial aid awarded to fewer students due to decreased enrollment.

An analysis of operating expenses by functional classification (i.e. instruction, financial aid, etc.) is shown in Note 9.

The change in net position is the difference between total revenues and total expenses. The change in net position, as presented in Exhibit A-2, is a decrease of $1,384,320.90, bringing the College's total net position to $33,875,696.51 as follows:

Beginning Net Position	$ 35,260,017.41
Revenues	
Operating	3,913,729.60
Nonoperating	25,361,668.34
Other	858,225.04
Sub-Total Revenues	30,133,622.98
Expenses	
Operating	31,449,707.56
Nonoperating	68,236.32
Sub-Total Expenses	31,517,943.88
Change in Net Position	(1,384,320.90)
ENDING NET POSITION	$ 33,875,696.51

Capital Assets

As of June 30, 2017, the College recorded $45,851,393.83 invested in capital assets and $17,617,522.46 in accumulated depreciation, which results in net capital assets of $28,233,871.37. The capital asset balance decreased by $1,003,759.13 over the previous year during fiscal year 2016-17. The College recorded additions to construction in progress of $120,197.62 related to the Welding Lab Renovation for Building 2 and renovation for Building 10, and released $1,135,172.00 from construction in progress to capitalize $1,119,942.00 total cost of the Building 10 renovation as well as a small $15,230.00 Histotechnology renovation completed in the current fiscal year 2016-2017. A current year decrease of $195,221.94 in machinery and equipment was related to assets sold or cannibalized in the current fiscal year 2016-2017. The increase in equipment of $52,054.37 was related to three vehicles purchased for the Basic Law Enforcement program totaling $29,810.75, $7,640.10 for a digital mailing system, $6,299.73 for a heat pump trainer for the Air Conditioning, Heating, and Refrigeration Technology program, and $8,303.79 for a scan tool for the Automotive program. Depreciation expense for the year was $1,182,124.30. The composition of net capital assets is detailed in Note 5.

In the 1999 Session, the General Assembly of North Carolina enacted House Bill 275 which implemented a zero unemployment insurance tax rate for employers with positive experience rating, temporarily reduced the unemployment insurance tax by twenty percent for most employers, and substituted an equivalent contribution to fund enhanced employment services and worker training programs. As a result of this legislation, North Carolina's Community Colleges received non-reverting appropriations to increase its training to new and expanding industries, to provide focused industrial training, and to purchase equipment. At June 30, 2017, the College had $627,402 remaining from its original House Bill 275 equipment appropriation.

The College does not issue debt to fund capital assets. The primary funding sources for equipment expenditures are state and county appropriations. Construction expenditures are funded by state issued general obligation bonds and matching local funds, as required.

The College's Financial Position

The ability of the College to fulfill its mission and execute its strategic plan is directly influenced by state, federal, and county support, enrollment, and financial aid available to students. These issues impact the financial and budget planning process each year.

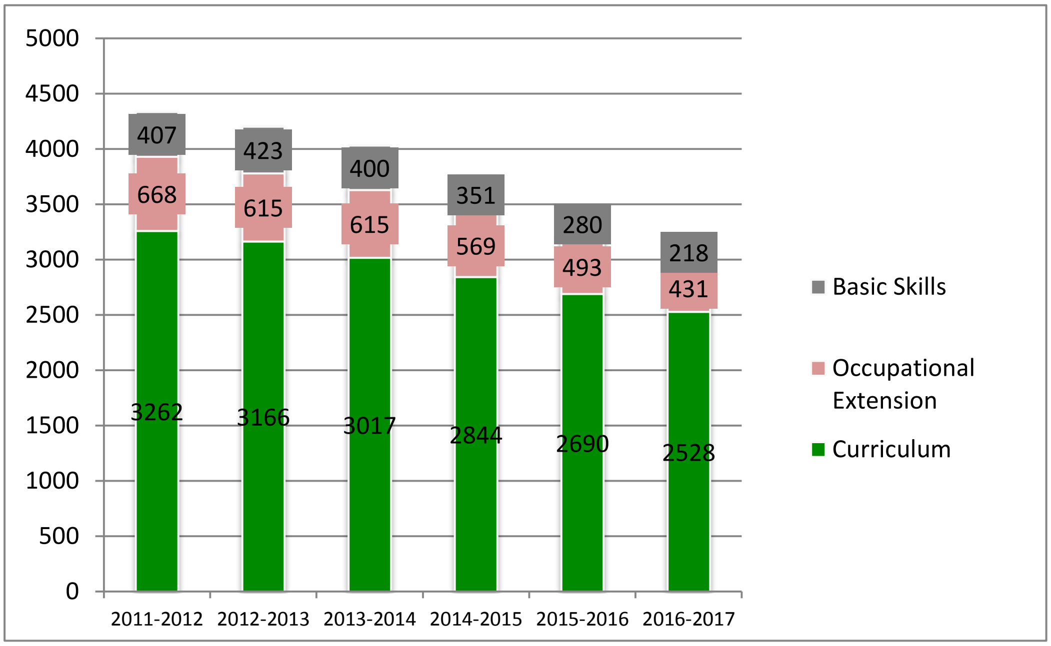
State support is the College's primary funding source of all revenues during the year. A majority of the state support that the College receives is appropriated based on the state budgetary full-time equivalency (FTE). The state budgetary FTE has been calculated based on the following:

- Fiscal Years 2011-2012 and 2012-2013: State budgetary FTE equals the higher of the prior year's enrollment or the average of the prior three years.

- Fiscal Years 2013-2014, 2014-2015, 2015-2016 and 2016-2017: State budgetary FTE equals higher of the prior year's enrollment or the average of the prior two years.

The table below illustrates the State budgetary FTE for the past six years.

STATE BUDGETARY FULL-TIME EQUIVALENCY



State budgetary FTE for 2017-2018 has been calculated to be 2,405 for curriculum, 395 for occupational extension, and 190 for basic skills. This calculation resulted in a 5.89% decrease in state budgetary FTE as compared to the prior year.

Appropriations from Vance, Granville, Warren, and Franklin Counties are primarily for plant operations and maintenance. For the budget year 2017 - 2018, total county appropriations increased by approximately 7.23% over the prior year. This is reflected with an increase of $144,943 in county appropriations for current expenses and $30,000 in county appropriations for capital expenses.

Historically, a decline in the economy results in a growth of enrollment as individuals who have lost their jobs return to college for training and retraining. As the economy improves, job availability increases and community colleges see a decline in enrollment. Vance-Granville Community College has historically followed this trend. During fiscal year 2017, the College experienced a decrease in enrollment for occupational extension, basic skills, and curriculum programs.

The College's Financial Future

The State of North Carolina remains the main source of funding for the College and the level of this support is one of the key factors influencing the College's financial condition and its ability to expand programs, undertake new initiatives, and continue to meet its core mission. The College remains confident in its ability to maintain its fiscal stability and to attract citizens into higher education. The College's Board of Trustees and administrators are dedicated in their efforts toward program assessment; cost containment; continuous improvement; expansion of curriculum, occupational training, and continuing education programs; and increased distance learning opportunities. These efforts are geared toward assessing the College's performance related to institutional goals, freeing up resources to support change, and growing new programs and opportunities. As a result, Vance-Granville Community College is positioned to increase enrollment strategically, and when appropriate, eliminate obsolete programs. The College also intends to continue to partner with the State and community in economic development and meet public expectations, while remaining financially sound.

FINANCIAL STATEMENTS

Vance-Granville Community College
Statement of Net Position
June 30, 2017 ***Exhibit A-1***

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	5,930,323.70
Restricted Cash and Cash Equivalents		382,202.50
Receivables, Net (Note 4)		728,076.24
Due from State of North Carolina Component Units		33,002.86
Inventories		471,972.33
Total Current Assets		7,545,577.63
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		130,457.70
Restricted Due from Primary Government		35,649.17
Investments		4,186,444.36
Capital Assets - Nondepreciable (Note 5)		1,108,605.18
Capital Assets - Depreciable, Net (Note 5)		27,125,266.19
Total Noncurrent Assets		32,586,422.60
Total Assets		40,132,000.23
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		6,174,922.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		506,892.31
Unearned Revenue		195,212.05
Funds Held for Others		65,747.07
Long-Term Liabilities - Current Portion (Note 7)		228,357.56
Total Current Liabilities		996,208.99
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		10,921,773.73
Total Liabilities		11,917,982.72
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		513,243.00
NET POSITION		
Investment in Capital Assets		28,233,871.37
Restricted for Expendable:		
Scholarships and Fellowships		13,545.09
Loans		14,789.87
Capital Projects		313,386.32
Other		29,637.06
Unrestricted		5,270,466.80
Total Net Position	$	33,875,696.51

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

Vance-Granville 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 8)	$	2,258,140.56
State and Local Grants and Contracts		345,504.34
Sales and Services, Net (Note 8)		1,278,139.33
Other Operating Revenues		31,945.37
Total Operating Revenues		3,913,729.60
EXPENSES		
Operating Expenses:		
Salaries and Benefits		21,898,611.02
Supplies and Materials		3,142,240.61
Services		2,445,709.73
Scholarships and Fellowships		2,256,922.61
Utilities		524,099.29
Depreciation		1,182,124.30
Total Operating Expenses		31,449,707.56
Operating Loss		(27,535,977.96)
NONOPERATING REVENUES (EXPENSES)		
State Aid		16,260,456.64
County Appropriations		2,353,631.00
Noncapital Grants - Student Financial Aid		4,489,141.91
Noncapital Grants		1,807,135.22
Noncapital Gifts		2,113.95
Investment Income (Net of Investment Expense of $24,177.18)		449,189.62
Other Nonoperating Expenses		(68,236.32)
Net Nonoperating Revenues		25,293,432.02
Loss Before Other Revenues		(2,242,545.94)
State Capital Aid		592,437.44
County Capital Aid		265,787.60
Decrease in Net Position		(1,384,320.90)
NET POSITION		
Net Position, July 1, 2016		35,260,017.41
Net Position, June 30, 2017	$	33,875,696.51

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

Vance-Granville Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 4,080,085.06
Payments to Employees and Fringe Benefits	(21,556,158.52)
Payments to Vendors and Suppliers	(5,758,165.75)
Payments for Scholarships and Fellowships	(2,284,344.38)
Other Receipts	3,031.34
Net Cash Used by Operating Activities	(25,515,552.25)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	16,260,456.64
County Appropriations	2,353,631.00
Noncapital Grants - Student Financial Aid	4,513,681.75
Noncapital Grants	1,742,377.59
Noncapital Gifts	2,113.95
Total Cash Provided by Noncapital Financing Activities	24,872,260.93
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	1,046,533.94
County Capital Aid	265,787.60
Proceeds from Sale of Capital Assets	5,869.46
Acquisition and Construction of Capital Assets	(457,945.37)
Net Cash Provided by Capital and Related Financing Activities	860,245.63
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	3,876,912.39
Investment Income	150,578.51
Purchase of Investments and Related Fees	(5,821,086.78)
Net Cash Used by Investing Activities	(1,793,595.88)
Net Decrease in Cash and Cash Equivalents	(1,576,641.57)
Cash and Cash Equivalents, July 1, 2016	8,019,625.47
Cash and Cash Equivalents, June 30, 2017	$ 6,442,983.90

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(27,535,977.96)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		1,182,124.30
Nonoperating Other Income		171.04
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		105,495.79
Inventories		180,765.81
Deferred Outflows for Pensions		(4,726,766.00)
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		160,992.03
Unearned Revenue		33,437.90
Net Pension Liability		5,455,324.00
Funds Held for Others		2,860.30
Deferred Inflows for Pensions		(335,627.00)
Compensated Absences		(38,352.46)
Net Cash Used by Operating Activities	$	(25,515,552.25)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	5,930,323.70
Restricted Cash and Cash Equivalents		382,202.50
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		130,457.70
Total Cash and Cash Equivalents - June 30, 2017	$	6,442,983.90

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	$	225,979.20
Increase in Receivables Related to Nonoperating Income		86,187.76
Loss on Disposal of Capital Assets		(68,407.36)

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

Vance-Granville Community College Endowment Fund Corporation
Statement of Financial Position
June 30, 2017 ***Exhibit B-1***

ASSETS		
Cash and Cash Equivalents	$	263,090
Sales Tax Receivable		1,114
Long-Term Investments		6,218,077
Property and Equipment, Net		12,327
Total Assets	$	6,494,608
LIABILITIES		
Accounts Payable	$	12,525
NET ASSETS		
Unrestricted		(5,270)
Temporarily Restricted		662,047
Permanently Restricted		5,825,306
Total Net Assets		6,482,083
Total Liabilities and Net Assets	$	6,494,608

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

Vance-Granville Community College Endowment Fund Corporation
Statement of Activities
For the Fiscal Year Ended June 30, 2017 *Exhibit B-2*

CHANGES IN UNRESTRICTED NET ASSETS		
Unrestricted Revenues and Gains:		
Contributions	$	123,427
Investment Income		7,187
Gain on Sale of Investments		13,402
Unrealized Gain on Investments		31,512
In-Kind Contributions		179,728
Total Unrestricted Revenues and Gains		355,256
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		155,379
Total Unrestricted Revenues, Gains, and Other Support		510,635
Expenses:		
Scholarships		100,873
Other Program Services		55,412
Management and General		157,651
Fund Raising		67,051
Total Expenses		380,987
Net Assets Released from Restrictions:		
Reclassification to Temporarily Restricted Net Assets		3,744
Total Expenses and Reclassifications		384,731
Increase in Unrestricted Net Assets		125,904
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions		186,600
Investment Income		74,792
Gain on Sale of Investments		127,802
Unrealized Gain on Investments		308,859
Reclassification from Unrestricted Net Assets		3,744
Net Assets Released from Restrictions		(155,379)
Increase in Temporarily Restricted Net Assets		546,418
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions		245,999
Increase in Net Assets		918,321
Net Assets at Beginning of Year		5,563,762
Net Assets at End of Year	$	6,482,083

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. Vance-Granville 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 - Vance-Granville Community College Endowment Fund Corporation (Corporation) 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 Corporation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Corporation board consists of 16 members including the College's President serving as Chair. Although the College does not control the timing or amount of receipts from the Corporation, the majority of resources, or income thereon, that the Corporation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Corporation can only be used by, or for the benefit of the College, the Corporation 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 Corporation 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 Corporation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2017, the Corporation distributed $100,873.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Corporation can be obtained from the College's Vice President of Finance and Operations at P.O. Box 917, Henderson, NC 27536, or by calling (252) 738-3221.

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 undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

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

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

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at cost using the first-in, first-out method.

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

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

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

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

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

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

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 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 10 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.

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

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

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

L. **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.

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

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

Restricted Net Position - **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.

N. **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.

O. **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 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.

P. **Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as the Day Care Center. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits - The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2017 was $4,326.50. The carrying amount of the College's deposits not with the State Treasurer was $1,166,180.04, and the bank balance was $1,418,801.89.

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.

B. Investments

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

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

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

At June 30, 2017, the amount shown on the Statement of Net Position as cash and cash equivalents includes $5,272,477.36, 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.

The following table presents the investments by type and investments subject to interest rate risk at June 30, 2017, for the College's investments. Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures - An Amendment of GASB Statement No.3,* as the risk a government may face should interest rate variances affect the value of investments. The College does not have a formal investment policy that addresses interest rate risk.

Investments

		Investment Maturities (in Years)		
	Amount	1 to 5	6 to 10	More than 10
Investment Type				
Debt Securities				
Annuity Contract	$ 474,139.61	$ 0.00	$ 0.00	$ 474,139.61
Money Market Mutual Funds	49,480.94	49,480.94		
Total Debt Securities	523,620.55	$ 49,480.94	$ 0.00	$ 474,139.61
Other Securities				
Equity Mutual Funds	790,775.91			
Exchange-Traded Funds (ETFs)	2,872,047.90			
Total Investments	$ 4,186,444.36			

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have a formal policy that addresses credit risk. As of June 30, 2017, the College's investments were rated as follows:

	Amount		AAA Aaa		Unrated	
Annuity Contract	$	474,139.61	$	0.00	$	474,139.61
Money Market Mutual Funds		49,480.94		49,480.94		
Totals	$	523,620.55	$	49,480.94	$	474,139.61

Rating Agency: Moodys

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The College places no limit on the amount that may be invested in any one issuer. More than 5% of the College's investments are in AXA Equitable Accumulator Plus (NQ) Annuities which represents 11.33% of the College's investments.

Component Unit - Investments of the College's discretely presented component unit, the Vance-Granville Community College Endowment Fund Corporation, 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 Corporation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type as of June 30, 2017:

	Cost		Fair Value		Carry Value	
Investment Type						
AXA Equitable Accumulator Plus	$	1,150,000	$	1,262,649	$	1,262,649
Mutual Funds, ETFs, & ETNs		4,741,810		4,955,428		4,955,428
Total Investments	$	5,891,810	$	6,218,077	$	6,218,077

Investment fees were $47,588.

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2017, is as follows:

Cash on Hand	$	4,326.50
Carrying Amount of Deposits with Private Financial Institutions		1,166,180.04
Investments in the Short-Term Investment Fund		5,272,477.36
Other Investments		4,186,444.36
Total Deposits and Investments	$	10,629,428.26
Deposits		
Current:		
Cash and Cash Equivalents	$	5,930,323.70
Restricted Cash and Cash Equivalents		382,202.50
Noncurrent:		
Restricted Cash and Cash Equivalents		130,457.70
Total Deposits		6,442,983.90
Investments		
Noncurrent Investments		4,186,444.36
Total Deposits and Investments	$	10,629,428.26

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.

The following table summarizes the College's investments, including the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2017:

	Fair Value	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investment by Fair Value Level				
Debt Securities				
Money Market Mutual Funds	$ 49,480.94	$ 49,480.94	$ 0.00	$ 0.00
Other Securities				
Short-Term Investment Fund	5,272,477.36		5,272,477.36	
Equity Mutual Funds	790,775.91	790,775.91		
Exchange-Traded Funds (ETFs)	2,872,047.90	2,872,047.90		
Total Investments by Fair Value Level	$ 8,984,782.11	$ 3,712,304.75	$ 5,272,477.36	$ 0.00

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

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

Component Unit

Fair value for investments of the College's discretely presented component unit, the Vance-Granville Community College Endowment Fund Corporation, are subject to the FASB reporting model. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. The following table summarizes the Corporation's investments within the fair value hierarchy at June 30, 2017:

	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Long-Term Investments:			
AXA Equitable Accumulator Plus	$ 1,262,649	$ 0	$ 1,262,649
Mutual Funds, ETFs, & ETNs	4,955,428	4,955,428	
Total Long-Term Investments	$ 6,218,077	$ 4,955,428	$ 1,262,649

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 1,416,209.49	$ 936,388.33	$ 479,821.16
Student Sponsors	27,684.30		27,684.30
Intergovernmental	216,516.03		216,516.03
Other	6,375.17	2,320.42	4,054.75
Total Current Receivables	$ 1,666,784.99	$ 938,708.75	$ 728,076.24

NOTE 5 - 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	$ 963,221.18	$ 0.00	$ 0.00	$ 963,221.18
Construction in Progress	1,160,358.38	120,197.62	1,135,172.00	145,384.00
Total Capital Assets, Nondepreciable	2,123,579.56	120,197.62	1,135,172.00	1,108,605.18
Capital Assets, Depreciable:				
Buildings	34,262,267.08	1,135,172.00		35,397,439.08
Machinery and Equipment	7,151,776.49	52,054.37	195,221.94	7,008,608.92
General Infrastructure	2,256,350.65	80,390.00		2,336,740.65
Total Capital Assets, Depreciable	43,670,394.22	1,267,616.37	195,221.94	44,742,788.65
Less Accumulated Depreciation for:				
Buildings	12,746,709.04	652,207.51		13,398,916.55
Machinery and Equipment	3,111,818.04	470,354.84	120,945.12	3,461,227.76
General Infrastructure	697,816.20	59,561.95		757,378.15
Total Accumulated Depreciation	16,556,343.28	1,182,124.30	120,945.12	17,617,522.46
Total Capital Assets, Depreciable, Net	27,114,050.94	85,492.07	74,276.82	27,125,266.19
Capital Assets, Net	$ 29,237,630.50	$ 205,689.69	$ 1,209,448.82	$ 28,233,871.37

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Current Accounts Payable and Accrued Liabilities	
Accounts Payable	$ 385,328.18
Accrued Payroll	86,130.20
Intergovernmental Payables	4,404.88
Other	31,029.05
Total Current Accounts Payable and Accrued Liabilities	$ 506,892.31

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Net Pension Liability	$ 3,823,024.00	$ 5,455,324.00	$ 0.00	$ 9,278,348.00	$ 0.00
Compensated Absences	1,910,135.75	1,229,913.87	1,268,266.33	1,871,783.29	228,357.56
Total Long-Term Liabilities	$ 5,733,159.75	$ 6,685,237.87	$ 1,268,266.33	$ 11,150,131.29	$ 228,357.56

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

NOTE 8 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees, Net	$ 4,386,843.90	$ 0.00	$ 1,991,636.24	$ 137,067.10	$ 2,258,140.56
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	$ 1,762,845.02	$ 0.00	$ 902,453.34	$ 0.00	$ 860,391.68
Facilities Rental	48,590.00				48,590.00
Vending	20,995.66				20,995.66
Athletic	120.00				120.00
Sales and Services of Education and Related Activities	356,691.37	8,520.00		129.38	348,041.99
Total Sales and Services, Net	$ 2,189,242.05	$ 8,520.00	$ 902,453.34	$ 129.38	$ 1,278,139.33

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 12,728,991.91	$ 945,278.46	$ 847,285.98	$ 0.00	$ 0.00	$ 0.00	$ 14,521,556.35
Public Service	10,064.52	14,110.76	59,033.21				83,208.49
Academic Support	2,006,190.02	54,698.39	72,493.59				2,133,382.00
Student Services	2,032,687.56	129,160.84	165,521.85				2,327,370.25
Institutional Support	3,867,287.77	187,530.26	855,447.87				4,910,265.90
Operations and Maintenance of Plant	959,139.15	386,415.34	361,696.16		524,099.29		2,231,349.94
Student Financial Aid			3,560.02	2,256,922.61			2,260,482.63
Auxiliary Enterprises	294,250.09	1,425,046.56	80,671.05				1,799,967.70
Depreciation						1,182,124.30	1,182,124.30
Total Operating Expenses	$ 21,898,611.02	$ 3,142,240.61	$ 2,445,709.73	$ 2,256,922.61	$ 524,099.29	$ 1,182,124.30	$ 31,449,707.56

NOTE 10 - PENSION PLANS

Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools 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 $846,267.62, and the College's contributions were $1,407,625.13 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 $9,278,348.00 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 0.10095%, which was a decrease of 0.00279 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%)
$ 17,450,779.00	$ 9,278,348.00	$ 2,406,453.00

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 $1,799,119.00. 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	$ 438,508.00
Changes of Assumptions	1,368,331.00	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,308,955.87	
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	90,010.00	74,735.00
Contributions Subsequent to the Measurement Date	1,407,625.13	
Total	$ 6,174,922.00	$ 513,243.00

The amount of $1,407,625.13 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	$ 726,768.00
2019	736,411.00
2020	1,789,877.00
2021	1,000,997.87
Total	$ 4,254,053.87

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

A. Health Benefits - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System (TSERS). Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Plan's benefit and contribution provisions are established by Chapter 135, Article 3B, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of TSERS and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are established by the General Assembly.

For the 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 $818,634.58, $804,938.44, and $787,610.47, 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 $53,596.95, $58,932.99, and $58,819.73, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 12 - RISK MANAGEMENT

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

A. Public Entity Risk Pool

Public School Insurance Fund

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

B. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

C. Other Risk Management and Insurance Activities

1. Automobile Insurance

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

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $10,000,000 via contract with a private insurance company. The

North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $100,000 deductible. The College purchases dishonesty/crime insurance for employees whose salaries or wages are paid solely from county or institutional funds.

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 13 - 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 $176,685.10 and on other purchases were $120,374.94 at June 30, 2017.

NOTE 14 - 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

Vance-Granville 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	0.10095%	0.10374%	0.10240%	0.10100%
Proportionate Share of TSERS Collective Net Pension Liability	$ 9,278,348.00	$ 3,823,024.00	$ 1,200,559.00	$ 6,131,729.00
Covered Payroll	$ 14,373,900.65	$ 14,346,274.57	$ 14,243,440.88	$ 14,262,208.41
Net Pension Liability as a Percentage of Covered Payroll	64.55%	26.65%	8.43%	42.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	94.64%	98.24%	90.60%

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

	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 1,407,625.13	$ 1,315,211.91	$ 1,312,684.12	$ 1,237,755.01	$ 1,188,041.96
Contributions in Relation to the Contractually Determined Contribution	1,407,625.13	1,315,211.91	1,312,684.12	1,237,755.01	1,188,041.96
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 14,104,460.26	$ 14,373,900.65	$ 14,346,274.57	$ 14,243,440.88	$ 14,262,208.41
Contributions as a Percentage of Covered Payroll	9.98%	9.15%	9.15%	8.69%	8.33%

	2012	2011	2010	2009	2008
Contractually Required Contribution	$ 1,067,252.27	$ 735,917.95	$ 534,636.31	$ 516,642.07	$ 465,683.79
Contributions in Relation to the Contractually Determined Contribution	1,067,252.27	735,917.95	534,636.31	516,642.07	465,683.79
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 14,344,788.64	$ 14,927,341.83	$ 14,975,807.04	$ 15,376,252.14	$ 15,268,320.83
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.

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

Changes of Benefit Terms:

Cost of Living Increase

2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
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

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Vance-Granville Community College
Henderson, 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 Vance-Granville 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 9, 2018. Our report includes a reference to other auditors who audited the financial statements of the Vance-Granville Community College Endowment Fund Corporation, as described in our report on the College's financial statements. The financial statements of the Vance-Granville Community College Endowment Fund Corporation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Vance-Granville Community College Endowment Fund Corporation.

<u>Internal Control Over Financial Reporting</u>

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 9, 2018

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This audit required 384 hours at an approximate cost of $39,552.