

# STATE OF NORTH CAROLINA

**FINANCIAL STATEMENT AUDIT REPORT OF**

**BLADEN COMMUNITY COLLEGE**

**DUBLIN, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2000**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**BLADEN COMMUNITY COLLEGE**

**DUBLIN, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2000**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
Office of the State Auditor

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**AUDITOR'S TRANSMITTAL**

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The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
Board of Trustees, Bladen Community College

This report presents the results of our financial statement audit of Bladen Community College, a component unit of the State of North Carolina, for the year ended June 30, 2000. Our audit was made by authority of Article 5A of G.S. §147.

The accounts and operations of the College are an integral part of the State's reporting entity represented in the State's *Comprehensive Annual Financial Report (CAFR)* and the State's *Single Audit Report*. In those reports, the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report*, the State Auditor also presents the audit results on the State's internal controls and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs.

As part of the audit work necessary for the *CAFR* and the *Single Audit Report*, the accounts and operations of the College were subject to audit procedures as we considered necessary. In addition, we performed auditing procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Bladen Community College. The audit procedures were conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is to present the results of our audit on the accompanying financial statements that relate solely to Bladen Community College. A summary of our reporting objectives and audit results are:

- 1. Objective** - Express an opinion on the accompanying financial statements.

**Results** - The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with generally accepted accounting principles. These matters are described in the Independent Auditor's Report.

## AUDITOR'S TRANSMITTAL (CONCLUDED)

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2. **Objective** - Present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

**Results** - The following instance of noncompliance was detected:

**Finding**

Financial Reconciliation and Reporting Discrepancies

This matter is described in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting and the Audit Findings and Recommendations section of this report.

3. **Objective** - Present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the College's ability to record, process, summarize, and report financial data in the financial statements.

**Results** - The following significant deficiency was detected in internal control over financial reporting:

**Finding**

Financial Reconciliation and Reporting Discrepancies

This matter is described in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting and the Audit Findings and Recommendations section of this report.

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.

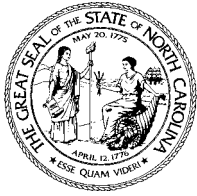


Ralph Campbell, Jr.  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Bladen Community College  
Dublin, North Carolina

We have audited the accompanying Balance Sheet of Bladen Community College, a component unit of the State of North Carolina, as of June 30, 2000, and the related Statement of Changes in Fund Equity and Statement of Current Funds Revenues, Expenditures, and Other Changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bladen Community College as of June 30, 2000, and the changes in fund equity and the current funds revenues, expenditures, and other changes for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 11 to the financial statements, the College changed its accounting for state-required tuition and fees during the year ended June 30, 2000.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2001 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 grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.

A handwritten signature in cursive script that reads "Ralph Campbell, Jr.".

Ralph Campbell, Jr.  
State Auditor

April 18, 2001

**Bladen Community College**  
**Balance Sheet**  
**June 30, 2000**

**Exhibit A**

	<u>Current Funds</u>			<u>Fiduciary Funds</u>		<u>Plant Funds</u>	
	<u>Unrestricted</u>			<u>Loan</u>	<u>Agency</u>	<u>Unexpended</u>	<u>Investment in Plant</u>
	<u>General</u>	<u>Proprietary</u>	<u>Restricted</u>				
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 88,749.36	\$ (23,785.25)	\$ 44,622.79	\$ 575.82	\$ 1,958.68	\$ 131.96	\$ 0.00
Investments			3,020.89		63,160.15		
Receivables:							
Accounts Receivable	52,408.00	22,612.75					
Intergovernmental Receivables			30,603.15				
Due from Primary Government		111.14	15,596.80			299,891.94	
Inventories	44,233.99	103,765.79					
Fixed Assets (Note 3)							6,504,598.55
<b>Total Assets</b>	<b>\$ 185,391.35</b>	<b>\$ 102,704.43</b>	<b>\$ 93,843.63</b>	<b>\$ 575.82</b>	<b>\$ 65,118.83</b>	<b>\$ 300,023.90</b>	<b>\$ 6,504,598.55</b>

**Bladen Community College**  
**Balance Sheet**  
**June 30, 2000**

**Exhibit A**  
**Page 2**

	Current Funds			Fiduciary Funds		Plant Funds	
	Unrestricted			Loan	Agency	Unexpended	Investment in Plant
	General	Proprietary	Restricted				
<b>LIABILITIES AND FUND EQUITY</b>							
<b>Liabilities:</b>							
Accounts Payable and Accrued Liabilities:							
Accounts Payable	\$ 7,885.80	\$ 8,813.50	\$ 28,793.31	\$ 0.00	\$ 0.00	\$ 1,722.97	\$ 0.00
Accrued Payroll	40,532.88	816.49					
Accrued Vacation Leave	158,986.03	2,963.26	10,796.90				
Funds Held for Others					65,118.83		
<b>Total Liabilities</b>	<u>207,404.71</u>	<u>12,593.25</u>	<u>39,590.21</u>		<u>65,118.83</u>	<u>1,722.97</u>	
<b>Fund Equity:</b>							
Net Investment in Plant							6,504,598.55
Fund Balances:							
Restricted Funds			54,253.42				
Unrestricted Funds (Deficit)	<u>(22,013.36)</u>	<u>90,111.18</u>		<u>575.82</u>		<u>298,300.93</u>	
<b>Total Fund Equity (Deficit)</b>	<u>(22,013.36)</u>	<u>90,111.18</u>	<u>54,253.42</u>	<u>575.82</u>		<u>298,300.93</u>	<u>6,504,598.55</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 185,391.35</u>	<u>\$ 102,704.43</u>	<u>\$ 93,843.63</u>	<u>\$ 575.82</u>	<u>\$ 65,118.83</u>	<u>\$ 300,023.90</u>	<u>\$ 6,504,598.55</u>

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



***Bladen Community College  
Statement of Changes in Fund Equity  
Year Ended June 30, 2000***

***Exhibit B***

	Current Funds			Fiduciary Funds		Plant Funds	
	Unrestricted			Loan	Endowment	Unexpended	Investment in Plant
	General	Proprietary	Restricted				
<b>Revenues and Other Additions:</b>							
Tuition and Fees	\$ 680,745.92	\$ 29,686.37	\$ 1,027.50	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
County Appropriations	459,078.25					58,465.75	
Federal Contracts and Grants	78,714.02		1,485,690.23			55,007.87	
State Contracts and Grants	3,964,421.68		59,127.46			449,411.90	
Gifts			9,525.00				
Investment Income	1,557.99	469.40	10,099.88				
Endowment Income			1,356.43				
Sales and Services	4,800.00	343,911.21					
Expended for Plant Facilities							22,267.86
Other Revenues and Additions	67,577.72	2,332.66	11,816.11	99.25			
<b>Total Revenues and Other Additions</b>	<b>5,256,895.58</b>	<b>376,399.64</b>	<b>1,578,642.61</b>	<b>99.25</b>		<b>562,885.52</b>	<b>22,267.86</b>
<b>Expenditures and Other Deductions:</b>							
Educational and General	5,088,038.05	26,825.38	1,514,028.05				
Auxiliary Enterprises		361,743.45					
Indirect Costs Recovered			1,562.50				
Expended for Plant Facilities						267,721.30	
Disposal of Plant Facilities							99,029.07
Other Expenditures and Deductions				911.90			
<b>Total Expenditures and Other Deductions</b>	<b>5,088,038.05</b>	<b>388,568.83</b>	<b>1,515,590.55</b>	<b>911.90</b>		<b>267,721.30</b>	<b>99,029.07</b>
<b>Transfers:</b>							
Mandatory Transfers In (Out)		(400.00)	400.00				
Non-Mandatory Transfers In (Out)		(500.00)		500.00			
<b>Net Transfers In (Out)</b>		<b>(900.00)</b>	<b>400.00</b>	<b>500.00</b>			
<b>Net Increase (Decrease) for the Year</b>	<b>168,857.53</b>	<b>(13,069.19)</b>	<b>63,452.06</b>	<b>(312.65)</b>		<b>295,164.22</b>	<b>(76,761.21)</b>
<b>Fund Equity (Deficit) July 1, 1999</b>	<b>(220,795.91)</b>	<b>103,180.37</b>	<b>89,831.45</b>	<b>888.47</b>	<b>37,757.92</b>	<b>3,136.71</b>	<b>6,579,731.20</b>
<b>Prior Period Adjustments (Note 12)</b>	<b>29,925.02</b>		<b>(99,030.09)</b>		<b>(37,757.92)</b>		<b>1,628.56</b>
<b>Fund Equity (Deficit) June 30, 2000</b>	<b>\$ (22,013.36)</b>	<b>\$ 90,111.18</b>	<b>\$ 54,253.42</b>	<b>\$ 575.82</b>	<b>\$ 0.00</b>	<b>\$ 298,300.93</b>	<b>\$ 6,504,598.55</b>

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

***Bladen Community College  
Statement of Current Funds Revenues, Expenditures, and Other Changes  
Year Ended June 30, 2000, with comparative totals for 1999***

***Exhibit C***

	Unrestricted			Restricted	Year Ended June 30,	
	General	Proprietary	Total		2000	1999
<b>Revenues:</b>						
Tuition and Fees	\$ 680,745.92	\$ 29,686.37	\$ 710,432.29	\$ 1,027.50	\$ 711,459.79	\$ 550,576.33
County Appropriations	459,078.25		459,078.25		459,078.25	557,544.00
Federal Contracts and Grants	78,714.02		78,714.02	1,450,876.84	1,529,590.86	891,915.69
State Contracts and Grants	3,964,421.68		3,964,421.68	45,316.12	4,009,737.80	3,930,491.59
Nongovernmental Contracts and Grants						32,809.65
Gifts				8,577.31	8,577.31	
Investment Income	1,557.99	469.40	2,027.39	363.49	2,390.88	4,614.42
Endowment Income				1,500.00	1,500.00	
Sales and Services	4,800.00	343,911.21	348,711.21		348,711.21	254,721.37
Other Sources	67,577.72	2,332.66	69,910.38	6,366.79	76,277.17	23,375.95
<b>Total Revenues</b>	<b>5,256,895.58</b>	<b>376,399.64</b>	<b>5,633,295.22</b>	<b>1,514,028.05</b>	<b>7,147,323.27</b>	<b>6,246,049.00</b>
<b>Expenditures:</b>						
Educational and General:						
Instruction	3,032,689.86		3,032,689.86	73,104.48	3,105,794.34	3,060,300.30
Academic Support	282,573.52		282,573.52		282,573.52	225,773.91
Student Services	469,162.99	26,825.38	495,988.37		495,988.37	366,563.26
Institutional Support	819,291.54		819,291.54	321,030.38	1,140,321.92	1,131,043.61
Plant Maintenance and Operations	458,163.14		458,163.14		458,163.14	445,403.37
Student Financial Aid	26,157.00		26,157.00	1,119,893.19	1,146,050.19	902,544.13
Auxiliary Enterprises		361,743.45	361,743.45		361,743.45	258,777.27
<b>Total Expenditures</b>	<b>5,088,038.05</b>	<b>388,568.83</b>	<b>5,476,606.88</b>	<b>1,514,028.05</b>	<b>6,990,634.93</b>	<b>6,390,405.85</b>
<b>Transfers and Additions/(Deductions):</b>						
Restricted Receipts Over Revenues Earned				63,052.06	63,052.06	67,213.35
Mandatory Transfers In (Out)		(400.00)	(400.00)	400.00		
Non-Mandatory Transfers Out		(500.00)	(500.00)		(500.00)	
<b>Net Increase (Decrease) in Fund Equity</b>	<b>\$ 168,857.53</b>	<b>\$ (13,069.19)</b>	<b>\$ 155,788.34</b>	<b>\$ 63,452.06</b>	<b>\$ 219,240.40</b>	<b>\$ (77,143.50)</b>

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

**BLADEN COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2000**

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**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 generally accepted accounting principles, 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. Bladen Community College is a component unit of the North Carolina Community College System which is a part of the primary government of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds for which the College's Board of Trustees is financially accountable. Related foundations and similar non-profit corporations for which the College is not financially accountable are not part of the accompanying financial statements. These entities are not included because they are separately incorporated and there are neither common directors nor other evidence of common control.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with generally accepted accounting principles applicable to governmental colleges and universities as promulgated by the Governmental Accounting Standards Board (GASB). In accordance with GASB statement #15 *Governmental College and University Accounting and Financial Reporting Models*, the College has elected to follow the fund accounting and reporting guidelines set forth by the American Institute of Certified Public Accountants in its Industry Audit Guide, *Audits of Colleges and Universities*.
- C. Fund Structure** - The accompanying financial statements are structured into three categories of funds: Current, Fiduciary, and Plant Funds.

The **Current Funds** are used to account for the revenues and expenditures resulting from operations, with the Unrestricted Funds and Restricted Fund shown separately. The Restricted Fund represents resources that are restricted to use by either an outside donor or grantor. Current funds that are internally designated for specific purposes by the governing board or management having delegated authority are reported

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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as Unrestricted Funds. The Unrestricted Proprietary Fund reflecting the operations of the bookstore, other auxiliary enterprises and student activity funds is shown separately from the Unrestricted General Fund.

**The Fiduciary Funds** are used to account for additions and deductions from fund equity of the Loan Fund and Endowment Fund. In addition, the Fiduciary Funds are used to account for funds of students and organizations held by the College as custodian in the Agency Fund. The transactions of the Agency Fund increase and decrease assets and liabilities but do not effect fund equity. As a result, the Agency Fund is not reflected in the Statement of Changes in Fund Equity.

The **Plant Funds** are used to account for additions and deductions from fund equity of the Unexpended Plant Fund and the Investment in Plant Fund.

- D. Basis of Accounting** - The financial statements of the College have been prepared on the accrual basis except that, in accordance with accounting practices customarily followed by public educational institutions, no provision is made for depreciation of physical plant assets, interest on loans to students is recorded when collected, and revenue from tuition and student fees for summer sessions is reported totally within the fiscal year in which the session is primarily conducted. Otherwise, revenues are reported in the accounting period when they are earned and become measurable and expenditures are reported in the accounting period when materials or services are received or when incurred, if measurable.

The Statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

- E. Cash and Cash Equivalents** - In addition to cash on deposit with private bank accounts and petty cash, this classification includes savings accounts. All other short-term investments are reported as investments.
- F. Investments** - This classification includes certificates of deposit held by the College. Except for certificates of deposit, investments are reported at fair value for year-end financial reporting purposes. Fair value is the amount at which an investment could be exchanged between two willing parties. Fair value for financial reporting purposes is based on quoted market prices. The net increase (decrease) in the fair value of investments is recognized as a part of investment income.

Certificates of deposit are reported at cost, if purchased, or at fair market value or appraised value at date of gift, if donated.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- G. Receivables and Allowance for Doubtful Accounts** - Accounts and notes receivables are shown at book value with no provision for doubtful accounts considered necessary.
- H. Inventories** - Inventories held by the College are priced at the lower of cost or market value using the first-in, first-out method. The inventories for the Unrestricted General Fund consist of expendable supplies, postage and fuel oil held for consumption. Inventories for the Unrestricted Proprietary Fund consist of textbooks and other merchandise for resale.
- I. Fixed Assets and Depreciation** - Fixed Assets are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. The College capitalizes fixed assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Depreciation is not recorded.

To the extent that current funds are used to finance plant assets, the amounts provided are accounted for as expenditures, in the case of normal replacement of furniture and movable equipment, and transfers of a non-mandatory nature for all other cases.

Public domain (“infrastructure”) fixed assets consisting of roads, parking lots, and sidewalks are capitalized as other structures and improvements.

- J. Vacation and Sick Leave** - The College’s policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1st or for which an employee can be paid upon termination of employment. 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 30th equals the leave carried forward at the previous December 31st plus the leave earned, less the leave taken between January 1st and June 30th.

The College has the policy of recording the cost of sick leave when taken and paid rather than when the leave is earned. The policy provides for unlimited accumulation of sick leave, but the employee cannot be compensated for any unused sick leave upon termination of employment.

- K. Revenue Recognition** - Current funds revenues, as reflected on Exhibit C, include (1) all unrestricted gifts, grants, and other resources earned during the reporting period and (2) restricted resources to the extent that such funds were expended. Current funds revenues do not include restricted current funds received but not expended or resources that are restricted by external persons or agencies to funds other than current funds.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Tuition remission and waivers are recorded as “Tuition and Fees” revenue and as “Student Financial Aid” expenditures on the accompanying financial statements.

- L. County Appropriations** - County Appropriations are provided to the College primarily to fund its plant operation and maintenance function (county current fund) and to fund construction projects, motor vehicles and maintenance equipment (county plant fund). Unexpended county current funds and county plant funds do not revert and are available for future use as approved by the county commissioners.

### NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with G.S. § 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina or with the State Treasurer’s Cash and Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$1,145.00. The carrying amount of cash on deposit was \$177,289.40 and the bank balance was \$222,775.29. All of the cash was on deposit with private financial institutions.

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.

The financial statements and disclosures for the State Treasurer’s Cash and Investment Pool are included in the State of North Carolina’s *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller’s Internet home page <http://www.osc.state.nc.us/OSC> and clicking on “Financial Reports”, or by calling the State Controller’s Financial Reporting Section at (919) 981-5454.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Of the cash on deposit with private financial institutions at June 30, 2000, \$148,259.56 of the bank balance was covered by federal depository insurance and \$74,515.73 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

- B. Investments** - The College is authorized to invest idle funds as provided by General Statute 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 the form of investments pursuant to General Statute 159-30(c), as follows: 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 non-guaranteed federal agencies; prime quality commercial paper bearing specified ratings and banker's acceptances; The North Carolina Cash Management Trust, an SEC registered mutual fund; repurchase agreements; 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.

At June 30, 2000, the College held certificates of deposit in the amount of \$66,181.04 which is not subject to categorization of custodial credit risk. The aforementioned certificates of deposit are a component of the deposit totals reported in the deposits section of this note.

### NOTE 3 - CHANGES IN FIXED ASSETS

A summary of changes in the fixed assets is presented as follows:

	Balance July 1, 1999	Restatements	Additions	Deletions	Balance June 30, 2000
Land	\$ 78,163.55	\$ 0.00	\$ 0.00	\$ 0.00	\$ 78,163.55
Buildings	5,257,128.97				5,257,128.97
Other Structures and Improvements	140,709.17				140,709.17
Furniture, Machinery and Equipment	648,141.67	1,628.56	6,429.94	92,741.78	563,458.39
Artwork, Artifacts and Literature	455,587.84		15,837.92	6,287.29	465,138.47
<b>Total Fixed Assets</b>	<b>\$ 6,579,731.20</b>	<b>\$ 1,628.56</b>	<b>\$ 22,267.86</b>	<b>\$ 99,029.07</b>	<b>\$ 6,504,598.55</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 4 - OPERATING LEASES

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2000:

<u>Fiscal Year</u>	<u>Amount</u>
2001	\$ 28,624.44
2002	32,288.88
2003	<u>32,288.88</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 93,202.20</u></b>

Rental expenses for all operating leases during the year were \$18,062.40.

### NOTE 5 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. There were no outstanding commitments on construction contracts at June 30, 2000.
- B. Pending Litigation and Other Contingencies** - The College is subject to other litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of such matters, no provision for any liability has been made in the financial statements. College management is of the opinion that the liability, if any, for any matter which it is currently a party of, will not have a material adverse effect on the financial position of the College.

### NOTE 6 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and the 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.

Tort claims of up to \$150,000 are self insured under the authority of the State Tort Claims Act. In addition, the State provides an additional \$11,000,000 public officers' and employees' liability insurance via contract with a private insurance company. The premium, based on a composite rate, is paid by the North Carolina Community College System Office directly to the insurer.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Fire and other property losses are covered by the Public School Insurance Fund, a state administered public entity risk pool. This fund is financed by premiums and interest and reinsures losses greater than \$10,000,000 per occurrence. The excess insurer provides property coverage up to \$30,000,000 per location annually. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles used for instructional purposes are covered by liability insurance handled by the State Department of Insurance. Other college-owned vehicles are covered by liability insurance contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the State Department of Insurance with coverage of \$5,000,000 per occurrence and a \$10,000 deductible. As of January 6, 2000, the deductible increased to \$50,000. The College is protected from losses from employee dishonesty and computer fraud for employees paid entirely from County and Special Funds by the contracts with private insurance companies.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan, a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third party contractor. Health care coverage is optionally available through contractual agreements with several HMO plans.

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.

Term life insurance of \$25,000 to \$50,000 is provided to eligible workers. The death benefit program is administered by the State Treasurer's Office and funded via employer contributions.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 7 - DEFICIT FUND BALANCE

The deficit fund balance in the Current Unrestricted General Fund is attributable to the College adjusting its cash basis records to the accrual basis of accounting as required by generally accepted accounting principles (GAAP). In accordance with GAAP, receivables were not recognized for liabilities associated with future period appropriations or certifications.

As required by G.S. 115D-31 and 115D-32, the State Board of Community Colleges and the associated local tax-levying authority(s) are responsible for supporting the financial needs of the College. This support is authorized on a cash basis through an annual appropriation or certification process for a specified fiscal year period. While GAAP prohibits the College from recording receivables from future period authorizations, the College will continue to receive, as provided by law, sufficient support for its financial needs.

### NOTE 8 - PENSION PLANS

**A. Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (System) is a multiple-employer cost sharing defined benefit pension plan administered by the North Carolina State Treasurer.

After five years of creditable service, employees qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of membership service (age 55 and 5 years of creditable service for law enforcement officers), reach age 60 with 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.80% of an average final compensation (based on the 4 consecutive years that produce the highest average) multiplied by the number of years of creditable service. Employees may retire with reduced benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of creditable service (age 50 with 15 years creditable service for law enforcement officers).

The funding policy for the Teachers' and State Employees' Retirement System provides for periodic employer and member contributions at actuarially determined rates that expressed as percentages of annual covered payroll are sufficient to accumulate assets needed to pay benefits when due. The system is funded by member contributions of 6% of compensation and by employer contributions of 8.15% of covered payroll for the year ended June 30, 2000. Benefit and contribution provisions are established by North Carolina General Statute 135-5 and 135-8 and may be amended only by the North Carolina General Assembly.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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For the year ended June 30, 2000, the College had a total payroll of \$3,994,477.92 of which \$3,284,093.80 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$197,045.63 and \$267,653.64, respectively. The College made one hundred percent of its annual required contributions to the retirement plans for the years ended June 30, 2000, 1999, and 1998, which were \$267,653.64, \$215,355.50, and \$213,734.09, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/OSC> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Supplemental Retirement Income Plan - IRC Section 401(k) Plan -** All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the plan are the responsibility of the plan participants. The voluntary contributions by employees amounted to \$59,289.00 for the year ended June 30, 2000.

### NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Care for Long-Term Disability Beneficiaries and Retirees -** The College participates in state administered programs which provide 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. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. For the fiscal year ended June 30, 2000, contributions to the plan were not required. 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*.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**B. Long-Term Disability** - The College participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. The Plan provides disability income to eligible participants. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The College contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. For the fiscal year ended June 30, 2000, the College's total contribution to the DIPNC was \$17,077.29. 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 10 - BLADEN COMMUNITY COLLEGE FOUNDATION, INC.**

The Bladen Community College Foundation, Inc. is a separately incorporated non-profit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net assets or operational transactions of the Foundation, except for the distributions made and benefits provided by the Foundation. The distributions received and/or benefits provided approximated \$8,325.25 for the year ended June 30, 2000.

**NOTE 11 - ACCOUNTING CHANGE**

During the fiscal year 2000, the College changed its method of accounting for state required tuition and fees to report them as an offset to state funded revenues. Prior to this change, the College accounted for state required tuition and fees as "Due to the State" and recorded funds received from the state as state funded revenues. As a result of this accounting change, state required tuition and fees received during the year are reported as a reduction to state funded revenues and as an increase to tuition and fee revenues. At year-end, student receivables related to state required tuition and fees is reported as tuition and fee revenues. The effect of this change on beginning fund equity represents the July 1, 1999, student receivables for state required tuition and fees and is identified in the prior period adjustments note to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 12 - PRIOR PERIOD ADJUSTMENTS

As of July 1, 1999, fund equity of the various funds as previously reported were restated as follows:

Fund Group	To Restate Fund Equity as a Result of the Accounting Change for State Required Tuition and Fees	To Reclassify Funds to Their Appropriate Fund Groups	To Correct Other Errors in Reported Balances	Total Restatement To July 1, 1999 Fund Equity
Unrestricted General Fund	\$ 29,925.02	\$ 0.00	\$ 0.00	\$ 29,925.02
Restricted		(7,147.80)	(91,882.29)	(99,030.09)
Endowment		(37,757.92)		(37,757.92)
Investment in Plant			1,628.56	



Ralph Campbell, Jr.  
State Auditor

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

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Board of Trustees  
Bladen Community College  
Dublin, North Carolina

We have audited the financial statements of Bladen Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2000, and have issued our report thereon dated April 18, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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, which are reported in the Audit Findings and Recommendations section of this report, disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Finding**

Financial Reconciliation and Reporting Discrepancies

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

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

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Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the College's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition noted as a result of our audit is described in the Audit Findings and Recommendations section of this report:

**Finding**

Financial Reconciliation and Reporting Discrepancies

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Board of Trustees and the State Board of Community Colleges, management and staff of the College, the Governor, the State Controller, the General Assembly, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



Ralph Campbell, Jr.  
State Auditor

April 18, 2001

## **AUDIT FINDINGS AND RECOMMENDATIONS**

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**Material Finding and Recommendation from Prior Audits** - The following presents the status of a material finding and recommendation presented in prior year audit reports that affected the current audit of the financial statements.

### FINANCIAL RECONCILIATION AND REPORTING DISCREPANCIES

Several reconciliations were incomplete and financial statement account balances were inaccurately reported. Daily, weekly and monthly bookkeeping processes and the thirteenth month accrual process indicate procedures are not adequately defined to ensure accurate and timely reporting.

- The College's bank reconciliation process for Institutional and County Funds has evidenced an out of balance condition all year and is not reconciled using the UNIX system. The bank over book balance for Institutional and County Funds at June 30, 1999 was \$77,765.19 and \$3.97, respectively. The County Fund bank account had not been reconciled or reviewed since May 1999.
- Pell Grant revenues and expenditures have not been reconciled to the underlying financial records or required federal reports at year-end. The unreconciled revenues and expenditures were overstated by \$17,155.85 and \$4,732.65, respectively.
- The general ledger accounts receivable balance and its related subsidiary ledger has maintained an out of balance condition since February 1998. The general ledger student accounts receivable balance and the returned checks account balance were overstated by \$4,962.08 and \$73.00, respectively. The student accounts receivable and accounts payable balances reported on the financial statements were understated by \$34,645.02 and \$51,341.95, respectively.
- Independent management did not review closeout entries and financial statements. Inaccurate postings during the accrual process required 32 audit adjustments totaling \$1,297,317.44. Accurate financial statements and disclosures were not provided to the Office of State Controller within the required 60 days, resulting in non-compliance with General Statute 143-20.1.

Sound internal controls require the assignment of responsibilities and the related oversight for the reconciliation of bank accounts, subsidiary ledgers and supporting records, the timely investigation and correction of out of balance conditions, the accurate summarization of information and the accurate recording of all accrual entries. Failure to perform these tasks increases the risk that errors or irregularities may occur in the financial statements and not be detected in a timely manner and also jeopardizes the timely compilation, issuance and audit of the College's annual financial report.



## **AUDIT FINDINGS AND RECOMMENDATIONS (CONCLUDED)**

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*Current Status:*

- *Partially Resolved:* Bank reconciliation processes are not adequately defined. As a result, an out of balance condition between the bank over the book balance for Institutional Funds existed at June 30, 2000 totaling \$14,580.74. The College and the North Carolina Community College System (NCCCS) have been working to correct this and have determined that it is a system problem. We have noted that the College worked diligently in correcting problems with the County Funds reconciliation during the current year and successfully eliminated the out of balance conditions as of June 30, 2000.
- *Resolved:* The Pell Grant revenues and expenditures were reconciled with the underlying financial records or required federal reports at year-end.
- *Resolved:* The general ledger accounts receivable balance and its related subsidiary ledger were reconciled at June 30, 2000 and related transactions for returned checks reviewed were recorded accurately.
- *Partially Resolved:* Improvements were noted during our review of transactions recorded in the accrual process. However, journal entries were prepared and posted in the current year to the general ledger and financial statements compiled and submitted to the Office of the State Controller without evidence of management review. Numerous adjustments and corrections were necessary after the financial statements were submitted resulting in noncompliance with General Statute 143-20.1.

*Recommendation:* The College should strengthen controls including enhancement of management oversight, place more emphasis on documenting procedures surrounding bank reconciliations and financial reporting, ensure that account balances are properly reflected in all reports and verify that all procedures are followed.

*College's Response:* The College agrees with the Auditors recommendations regarding areas of needed improvement. The College has implemented a system that strengthens and reinforces management oversight and accountability in a number of areas. Our staff is finalizing a set of procedures that will ensure appropriate documentation and accuracy in our financial reporting, particularly bank reconciliation and year-end reporting.

## DISTRIBUTION OF AUDIT REPORT

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In accordance with G.S. § 147-64.5 and G.S. § 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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## **DISTRIBUTION OF AUDIT REPORT (CONCLUDED)**

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N. C. House Speaker Pro-Tem  
Director, Fiscal Research Division

August 7, 2001

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