

STATE OF NORTH CAROLINA

FINANCIAL STATEMENT REVIEW REPORT OF

BLUE RIDGE COMMUNITY COLLEGE

FLAT ROCK, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT REVIEW REPORT OF

BLUE RIDGE COMMUNITY COLLEGE

FLAT ROCK, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

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Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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REVIEWER'S TRANSMITTAL

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

This report presents the results of our financial statement review of Blue Ridge Community College, a component unit of the State of North Carolina, for the year ended June 30, 2002. Our review was made by authority of Article 5A of Chapter 147 of the General Statutes.

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 work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to review procedures as we considered necessary. In addition, we performed review procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Blue Ridge Community College. The review procedures were conducted in accordance with auditing standards generally accepted in the United States of America 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 review of the accompanying financial statements that relate solely to Blue Ridge Community College. Our reporting objectives and review results are:

- 1. Objective** - To disclose any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Results - We are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. These matters are more fully described in the Independent Accountant's Review Report on the financial statements.

REVIEWER'S TRANSMITTAL (CONCLUDED)

2. **Objective** – To 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 and present instances of noncompliance, if any, with laws, regulations, contracts, or grants that came to our attention during our review of the financial statements.

Results - Our review disclosed no material weaknesses in internal control over financial reporting and no instances of noncompliance which require disclosure herein under *Government Auditing Standards*.

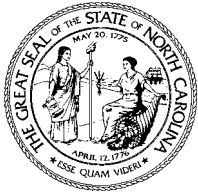
North Carolina General Statutes require the State Auditor to make reports available to the public. Copies of review reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



Ralph Campbell, Jr.
State Auditor

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Ralph Campbell, Jr.
State Auditor

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Trustees
Blue Ridge Community College
Flat Rock, North Carolina

We have reviewed the accompanying Statement of Net Assets of Blue Ridge Community College, a component unit of the State of North Carolina, as of June 30, 2002, and the related Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the College's management.

A review consists principally of inquiries of College personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 3 to 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Our review was conducted for the purpose of expressing limited assurance that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with generally accepted accounting principles. Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Ralph Campbell, Jr.

Ralph Campbell, Jr.
State Auditor

May 16, 2003

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Purpose

The information in this section is intended to provide a general overview of Blue Ridge Community College's financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information. For more information, please contact the Business Office at 828-694-1717.

Overview of the Financial Statements

Effective July 1, 2001, the College implemented 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 College's and Universities*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*. The College has elected to report as a special purpose government engaged in business-type activities. Under this option, the College presents financial statements using the economic resources measurement focus and the accrual basis of accounting. The basic financial statements under this option are the following: Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, Statement of Cash Flows, and Notes to the Financial Statements.

Institutional Assets

The assets of the College are divided between current and noncurrent assets. Current assets include cash, receivables, inventories, and notes receivable.

Current Assets

	<u>Amount</u>
Cash	\$ 436,075.26
Receivables	198,707.65
Inventories	48,034.99
Notes Receivable	<u>21,767.70</u>
Total Current Assets	<u>\$ 704,585.60</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Noncurrent assets include cash, receivables, and capital assets (land, construction in progress, buildings, general infrastructure, and equipment). During the 2001-2002 year, there was a decrease in the College's assets resulting from the implementation of GASB Statements 34/35.

Noncurrent Assets

	<u>Amount</u>
Cash	\$ 190,741.71
Receivables	98,816.08
Capital Assets	<u>17,015,878.59</u>
 Total Noncurrent Assets	 <u>\$ 17,305,436.38</u>

The College's capital assets are stated at their purchase price or, in the case of donations, assigned a fair market value when they are accepted. The College records purchases as a capital asset when the purchased items cost more than \$5,000 at the date of purchase and have a useful life of more than one year. Library books are not included as assets.

The College uses straight-line depreciation to determine the current value of capital assets. In general, general infrastructure is depreciated over a 10 to 75 year period, buildings are depreciated over a 10 to 50 year period, and equipment is depreciated in 3 to 25 years, depending on the expected useful life of the general infrastructure, equipment, or building.

Institutional Liabilities

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities that extend beyond a year. Long term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year, calculated at the current salary rates for each employee, consistent with the institution's leave policies.

Liabilities

	<u>Amount</u>
Current	\$ 106,419.29
Long-Term	<u>205,871.21</u>
 Total Liabilities	 <u>\$ 312,290.50</u>

Net Assets

Net assets are a measure of the value of all the College's assets after liabilities and depreciation are deducted. The College's net assets decreased by \$820,822.24 for the fiscal year to \$17,697,731.48. Net assets invested in capital assets were \$17,015,878.59. Restricted net assets were \$372,477.08. Unrestricted net assets were \$309,375.81.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Revenues

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees, federal, state and local grants and contracts, and the revenue received from sales and services, principally comprised of commission received from the bookstore and vending. Student tuition, though identified as revenue, is remitted back to the State Treasurer and not netted against the College's State aid identified as nonoperating revenue. The largest operating revenue accrues from the College's participation in Federal Title IV financial aid programs.

Operating Revenues

	<u>Amount</u>
Student Tuition and Fees	\$ 1,444,956.54
Federal Grants and Contracts	759,026.69
Sales and Service	<u>889,079.83</u>
Total Operating Revenues	<u>\$ 3,093,063.06</u>

Nonoperating revenues comprise the major portion of the College's income and include formula allocations from the North Carolina State Board of Community Colleges for current expense, equipment, and capital improvements, funds appropriated from the Cherokee, Clay, and Graham Counties Board of Commissioners, and various other revenues deposited into Institutional Funds.

Nonoperating Revenues

	<u>Amount</u>
State Aid	\$ 7,644,696.09
County Appropriations	1,535,448.20
Noncapital Grants	826,077.48
Noncapital Gifts	282,662.41
Investment Income	11,003.23
Other Nonoperating Revenues	<u>101,240.54</u>
Net Nonoperating Revenues	<u>\$ 10,401,127.95</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits identified as “personal services”. Depreciation expense and accumulated depreciation were identified for the first time, consistent with the requirements of GASB Statements 34/35.

	<u>Amount</u>
Personal Services	\$ 9,448,758.54
Supplies and Materials	2,161,569.95
Services	1,322,984.11
Scholarships and Fellowships	606,185.69
Utilities	465,326.70
Depreciation	<u>671,392.46</u>
Total Expenses	<u>\$ 14,676,217.45</u>

Capital Contributions

Capital contributions are received from appropriations from the North Carolina State Board of Community Colleges under a formula allocation for educational equipment and library books. The Board also provides construction funds as part of the North Carolina 2000 Higher Education Bond Referendum and previous legislative action providing funds for renovations and repairs.

	<u>Amount</u>
State Capital Aid	\$ 850,446.28
County Capital Appropriations	<u>121,106.80</u>
Total Capital Contributions	<u>\$ 971,553.08</u>

Significant Capital Asset Activity

The College received \$325,809.00 from the 2000 North Carolina Higher Education Bond Referendum, which provides for the renovation and repair of facilities. Funds are allocated according to a cash flow schedule established by the North Carolina State Board of Community Colleges with final distribution of funds ending June 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Significant Effects on Financial Position

1. As a result of actions taken by the North Carolina General Assembly, tuition for curriculum students was increased to \$34.35 a credit hour with a maximum of \$548.00 for 16 or more hours. This represents a 10.5% increase in the direct cost to students attending the College.
2. The North Carolina General Assembly has not amended the biennial budget. The possibility of reductions to State allocations by actions of the Governor to meet continuing State budget shortfalls should be acknowledged.

Blue Ridge Community College
Statement of Net Assets
June 30, 2002 **Exhibit A**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 393,367.21
Restricted Cash and Cash Equivalents	42,708.05
Receivables, Net (Note 3)	198,707.65
Inventories	48,034.99
Notes Receivable, Net (Note 3)	21,767.70
Total Current Assets	704,585.60

Noncurrent Assets:

Restricted Cash and Cash Equivalents	190,741.71
Restricted Due from Primary Government	98,816.08
Capital Assets, Net (Note 4)	17,015,878.59
Total Noncurrent Assets	17,305,436.38
Total Assets	18,010,021.98

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	44,591.86
Deferred Revenue	8,733.97
Funds Held for Others	1,571.81
Long-Term Liabilities - Current Portion (Note 6)	51,521.64
Total Current Liabilities	106,419.28

Noncurrent Liabilities:

Funds Held for Others	6,679.30
Long-Term Liabilities (Note 6)	199,191.92
Total Noncurrent Liabilities	205,871.22
Total Liabilities	312,290.50

NET ASSETS

Invested in Capital Assets	17,015,878.59
Restricted For:	
Nonexpendable:	
Other	51,500.00
Expendable:	
Scholarships and Fellowships	185.60
Loans	109,941.11
Capital Projects	199,295.66
Other	11,554.71
Unrestricted	309,375.81
Total Net Assets	\$ 17,697,731.48

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

See Independent Accountant's Review Report

***Blue Ridge Community College
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2002*** ***Exhibit B***

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)		\$ 1,444,956.54
Federal Grants and Contracts		759,026.69
Sales and Services, Net (Note 8)		889,079.83
Total Operating Revenues		3,093,063.06
EXPENSES		
Operating Expenses:		
Personal Services		9,448,758.54
Supplies and Materials		2,161,569.95
Services		1,322,984.11
Scholarships and Fellowships		606,185.69
Utilities		465,326.70
Depreciation		671,392.46
Total Operating Expenses		14,676,217.45
Operating Loss		(11,583,154.39)
NONOPERATING REVENUES		
State Aid		7,644,696.09
County Appropriations		1,535,448.20
Noncapital Grants		826,077.48
Noncapital Gifts, Net (Note 8)		282,662.41
Investment Income, Net		11,003.23
Other Nonoperating Revenues		101,240.54
Net Nonoperating Revenues		10,401,127.95
Loss Before Other Revenues, Expenses, Gains, and Losses		(1,182,026.44)
State Capital Aid		850,446.28
County Capital Appropriations		121,106.80
Capital Grants		19,470.91
Capital Gifts, Net (Note 8)		29,175.00
Decrease in Net Assets		(161,827.45)
NET ASSETS		
Net Assets, July 1, 2001 as Restated (Note 16)		17,859,558.93
Net Assets, June 30, 2002		<u>\$ 17,697,731.48</u>
The accompanying notes to the financial statements are an integral part of this statement.		
See Independent Accountant's Review Report		

Blue Ridge Community College		
Statement of Cash Flows		
For the Fiscal Year Ended June 30, 2002		Exhibit C
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers		\$ 3,005,370.17
Payments to Employees and Fringe Benefits		(9,482,910.62)
Payments to Vendors and Suppliers		(3,587,313.22)
Payments for Scholarships and Fellowships		(606,185.69)
Loans Issued to Students		(33,808.97)
Collection of Loans to Students		25,246.04
Other Receipts		99,850.24
Net Cash Used by Operating Activities		(10,579,752.05)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		7,644,696.09
County Appropriations		1,535,448.20
Noncapital Grants Received		786,857.56
Noncapital Gifts and Endowments Received		282,662.41
Net Cash Provided by Noncapital Financing Activities		10,249,664.26
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		2,253,628.80
County Capital Appropriations		121,106.80
Capital Grants Received		19,470.91
Capital Gifts Received		29,175.00
Acquisition and Construction of Capital Assets		(1,857,233.87)
Net Cash Provided by Capital and Related Financing Activities		566,147.64
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments		10,603.10
Net Cash Provided by Investing Activities		10,603.10
Net Increase in Cash and Cash Equivalents		246,662.95
Cash and Cash Equivalents, July 1, 2001		380,154.02
Cash and Cash Equivalents, June 30, 2002		\$ 626,816.97

Blue Ridge Community College		
Statement of Cash Flows		Exhibit C
For the Fiscal Year Ended June 30, 2002		Page 2
RECONCILIATION OF PERATING LOSS TO NET		
CASH USED BY OPERATING ACTIVITIES		
Operating Loss		\$ (11,583,154.39)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		671,392.46
Provision for Uncollectible Loans and Writeoffs		12,041.27
Miscellaneous Nonoperating Income		101,240.54
Changes in Assets and Liabilities:		
Receivables, Net		(72,173.28)
Inventories		359,730.43
Notes Receivable, Net		(24,082.54)
Accounts Payable and Accrued Liabilities		(27,223.43)
Due to Primary Government		(394.12)
Funds Held for Others		(1,390.30)
Compensated Absences		(15,738.69)
Net Cash Used by Operating Activities		\$ (10,579,752.05)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Increase in Receivables Related to Nonoperating Income		\$ 36,102.79
The accompanying notes to the financial statements are an integral part of this statement.		
See Independent Accountant's Review Report		

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

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

The accompanying financial statements present all funds for which the College's Board of Trustees is financially accountable. Related foundations and similar nonprofit 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (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 effective for the College's year ended June 30, 2002, the full scope of the College's activities is considered to be a single business-type activity (BTA) 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Use Proprietary Fund Accounting, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

- D. Cash and Cash Equivalents** - This classification appears on the Statement of Net Assets and the Statement of Cash Flows and includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and short-term investments with the State Treasurer's Cash and Investment Pool (a governmental external investment pool). The short-term investment portfolio 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. Receivables** - Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower of cost or market value using the first-in, first-out method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation, in the case of gifts. The College capitalizes 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. Library books are expensed.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 75 years for general infrastructure, 10 to 50 years for buildings, and 3 to 15 years for equipment.

- H. Restricted Assets** - Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.
- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities consist of compensated absences that will not be paid within the next fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out method.

- K. Net Assets** - The College's net assets are classified as follows:

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

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

Restricted Net Assets – Expendable - Expendable restricted net assets include resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Assets - Unrestricted net assets include 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.

- L. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. 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 either operating or nonoperating revenues in the accompanying Statement of

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

- M. Revenue and Expense Recognition** - The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges, and such programs are necessary and essential to the mission of the College. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either capital or noncapital financing or investing activities. Operating expenses are all expense transactions incurred other than those related to capital or noncapital financing or investing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.
- N. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as the copy center. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year. Effective May 1, 2002, College Bookstores of America began the operations for the bookstore.
- O. County Appropriations** - County Appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicles purchases, and maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - DEPOSITS

All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with 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 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 \$900.00. The carrying amount of cash on deposit was \$626,206.63 and the bank balance was \$830,041.69.

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.

Cash on deposit at year end consisted of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash on Deposit with State Treasurer	\$ 498,736.95	\$ 298,736.95
Cash on Deposit with Private Financial Institutions	<u>127,469.68</u>	<u>531,304.74</u>
	<u>\$ 626,206.63</u>	<u>\$ 830,041.69</u>

The cash on deposit with the State Treasurer is pooled with State agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool. These moneys are invested in accordance with General Statutes 147-69.1(c) and 147-69.2, and as required by law are "readily convertible into cash." All investments of the fund are held either by the Department of State Treasurer or its agent in the State's name. The fund's uninvested cash is either covered by federal depository insurance or, pursuant to 20 NCAC 7, is collateralized under either the dedicated or pooling method.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

page <http://www.osc.state.nc.us/> and clicking on “Financial Reports”, or by calling the State Controller’s Financial Reporting Section at (919) 981-5454.

Of the cash on deposit with private financial institutions at June 30, 2002, \$130,601.94 of the bank balance was covered by federal depository insurance and \$400,702.80 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

NOTE 3 - RECEIVABLES

Receivables at June 30, 2002 were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 137,378.55	\$ 15,519.61	\$ 121,858.94
Accounts	74,063.86		74,063.86
Interest on Loans	795.19		795.19
Other	1,989.66		1,989.66
	<u>\$ 214,227.26</u>	<u>\$ 15,519.61</u>	<u>\$ 198,707.65</u>
Notes Receivables:			
Notes Receivable - Current			
Institutional Student Loan Programs	<u>\$ 21,767.70</u>	<u>\$</u>	<u>\$ 21,767.70</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital Assets, Nondepreciable:				
Land	\$ 1,630,640.00	\$ 0.00	\$ 0.00	\$ 1,630,640.00
Construction in Progress	6,953,162.93	1,478,676.26	(6,158,421.64)	2,273,417.55
Total Capital Assets, Nondepreciable	8,583,802.93	1,478,676.26	(6,158,421.64)	3,904,057.55
Capital Assets, Depreciable:				
Buildings	12,758,857.99	5,929,338.97		18,688,196.96
Machinery and Equipment	1,891,431.73	429,785.10		2,321,216.83
General Infrastructure	832,225.20	40,000.00		872,225.20
Total Capital Assets, Depreciable	15,482,514.92	6,399,124.07		21,881,638.99
Less Accumulated Depreciation:				
Buildings	6,122,472.30	473,899.08		6,596,371.38
Machinery and Equipment	1,103,727.99	197,493.38		1,301,221.37
General Infrastructure	872,225.20			872,225.20
Total Accumulated Depreciation	8,098,425.49	671,392.46		8,769,817.95
Total Capital Assets, Depreciable, Net	7,384,089.43	5,727,731.61		13,111,821.04
Capital Assets, Net	<u>\$ 15,967,892.36</u>	<u>\$ 7,206,407.87</u>	<u>\$ (6,158,421.64)</u>	<u>\$ 17,015,878.59</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2002 were as follows:

	Amount
Accounts Payable	\$ 2,339.49
Accrued Payroll	17,811.35
Contract Retainage	21,532.25
Other	2,908.77
Total Accounts Payable and Accrued Liabilities	<u>\$ 44,591.86</u>

NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities is presented as follows:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Current Portion
Compensated Absences	<u>\$ 230,111.46</u>	<u>\$ 241,513.23</u>	<u>\$ 220,911.13</u>	<u>\$ 250,713.56</u>	<u>\$ 51,512.64</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - LEASE OBLIGATIONS

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2002:

Fiscal Year	Amount
2003	\$ 131,668.00
2004	115,708.00
2005	58,135.00
2006	42,173.00
Total Minimum Lease Payments	\$ 347,684.00

Rental expense for all operating leases during the year was \$188,547.92.

NOTE 8 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Net Revenues
Operating Revenues:				
Student Tuition and Fees	\$ 1,808,655.50	\$ 0.00	\$ 363,698.96	\$ 1,444,956.54
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 8,842.99	\$ 0.00	\$ 0.00	\$ 8,842.99
Student Union services	41,957.00			41,957.00
Bookstore	810,477.10	1,262.50		809,214.60
Parking	21.00			21.00
Other	109,015.17	100,776.93		8,238.24
Sales and Services of Educational and Related Activities	20,806.00			20,806.00
Total Sales and Services	\$ 991,119.26	\$ 102,039.43	\$ 0.00	\$ 889,079.83
Nonoperating - Noncapital Gifts	\$ 282,662.41	\$ 0.00	\$ 0.00	\$ 282,662.41
Capital Gifts	\$ 29,175.00	\$ 0.00	\$ 0.00	\$ 29,175.00

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	\$ 5,171,182.07	\$ 608,123.65	\$ 562,471.51	\$ 0.00	\$ 0.00	\$ 0.00	\$ 6,341,777.23
Academic Support	1,075,813.19	292,710.24	202,229.50				1,570,752.93
Student Services	645,060.84	10,989.53	12,783.07				668,833.44
Institutional Support	1,924,107.97	172,019.16	346,937.33				2,443,064.46
Operations and Maintenance of Plant	517,987.71	51,070.40	112,370.86		465,326.70		1,146,755.67
Student Financial Aid	57,378.97		3,127.50	606,185.69			666,692.16
Auxiliary Enterprises	57,227.79	1,026,656.97	83,064.34				1,166,949.10
Depreciation						671,392.46	671,392.46
Total Operating Expenses	\$ 9,448,758.54	\$ 2,161,569.95	\$ 1,322,984.11	\$ 606,185.69	\$ 465,326.70	\$ 671,392.46	\$ 14,676,217.45

NOTE 10 - 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, members of the Teachers' and State Employees' Retirement System 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 1.81% 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).

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by North Carolina General Statutes 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2002, these rates were set at 1.97% of covered payroll for employers and 6% of covered payroll for members.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2002, the College had a total payroll of \$8,096,566.39, of which \$6,354,235.63 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$381,254.14 and \$125,178.44, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2002, 2001, and 2000, which were \$125,178.44, \$322,364.68, and \$443,537.21, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina *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/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Deferred Compensation and Supplemental Retirement Income Plans** - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$6,222.28 for the year ended June 30, 2002.

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. No costs are incurred by the College. The voluntary contributions by employees amounted to \$106,063.00 for the year ended June 30, 2002.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$51,815.00 for the year ended June 30, 2002.

NOTE 11 - 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. The College contributed 2.35% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended June 30, 2002, the College's total contribution to the Plan was \$149,324.60. 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*.
- 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. 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 and the Optional Retirement Program to the DIPNC. For the fiscal year ended June 30, 2002, the College's total contribution to the DIPNC was \$33,042.03. 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*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$11,000,000 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 private insurer.

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years. State-owned vehicles used for instructional purposes are covered by liability insurance handled by the State Department of Insurance. Liability insurance for other college-owned vehicles are covered by 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 North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible. Employee dishonesty insurance for employees paid from non-State funds is purchased from Montgomery Insurance Company with coverage of \$15,000 to \$150,000 per occurrence with a \$500 deductible.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan (Plan), a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third-party contractor. Effective for the October 1, 2001 through September 30, 2002 year, the Plan no longer offers health coverage through 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Term life insurance of \$25,000 to \$50,000 is provided to eligible workers. This self-insured death benefit program is administered by the State Treasurer 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.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

- A. 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 \$21,532.25 June 30, 2002.
- B. Pending Litigation and Claims** - The College is a party to other litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these 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 of these matters will not have a material adverse effect on the financial position of the College.
- C. Community College General Obligation Bonds** - The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The funds authorized are to be used solely to construct new buildings and to renovate and modernize existing buildings on the North Carolina Community College System campuses. The bond legislation specifies the amount of bond funding for each College campus as well as the intended amount for new construction and repair and replacement. The legislation further provides that the State Board of Community Colleges shall be responsible for the approval of projects in accordance with provisions of the legislation. The bonds are authorized to be issued over a six-year period beginning in 2001 at a level not to exceed amounts provided in the legislation. Using a cash flow financing approach, The Community College System's Office (CCSO), establishes annual amounts not to exceed for each approved project. The amounts not to exceed are subject to change due to actual cash availability and needs during the year. Subsequent to the bond sales and the availability of bond proceeds, CCSO notifies the Office of State Budget and Management (OSBM) of the amount not to exceed for the total of the approved projects. Within this amount, based on an official request of cash needs from the State Board of Community Colleges, OSBM

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

authorizes allotments. These allotments are then recorded to specific community college allotment accounts by the CCSO. The College records the allotments as revenue on the accompanying financial statements. The College's remaining authorization \$3,087,683.34 is contingent on future bond sales and CCSO allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

NOTE 14 - BLUE RIDGE COMMUNITY COLLEGE EDUCATIONAL FOUNDATION, INC.

The Blue Ridge Community College Educational 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 \$294,170.02 for the year ended June 30, 2002.

NOTE 15 - ACCOUNTING CHANGES

Effective July 1, 2001, the College implemented 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 financial statement presentation required by these Statements is a single-column enterprise activity rather than the fund-group perspective previously reported. Significant accounting changes in order to comply with the new requirements include adopting depreciation on capital assets, reporting revenues net of discounts and allowances, eliminating inter-fund activities, classifying activities as operating or nonoperating, classifying assets and liabilities as current or noncurrent, and prorating summer school activities to periods earned.

In addition, the College implemented GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Changes in existing disclosures include more detailed information on debt service requirements, obligations under leases, and short-term debt. New disclosures include variable debt interest information and the major components of receivable and payable balances.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 16 - NET ASSET RESTATEMENT

As referred to in Note 15, the College implemented 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*.

July 1, 2001 Fund Equity as previously reported	\$ 26,862,155.65
Implementation of GASB 34/35	<u>(9,002,596.72)</u>
July 1, 2001 Net Assets as Restated	<u>\$ 17,859,558.93</u>

***Blue Ridge Community College
Schedule of General Obligation Bond Project Authorizations,
Budgets, and Expenditures
For Project-to-Date as of June 30, 2002***

Schedule 1

Capital Improvement Projects	Projected Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Expected Completion Date
<i>Projects Approved by the State Board</i>							
General Renovation-Flat Rock Campus	Mar 2001	\$ 536,522.00	\$ 0.00	\$ 536,522.00	\$ 325,809.00	60.73%	Dec 2002
Campus Wide Wiring/Infrastructure/Classroom	Jul 2002	350,314.00		350,314.00			Mar 2003
Renovation of Student Center/Driveways	Jul 2003	402,969.00		402,969.00			Apr 2004
General Renovation: Bathrooms/Handicap Access	Oct 2002	250,224.00		250,224.00			Jan 2003
Renovation to Two Classroom Buildings	Jul 2003	546,458.00		546,458.00			Mar 2005
Modifications to Thomas Auditorium	Jul 2002	125,928.00		125,928.00			Dec 2002
New Vocational Training Building	Jul 2004	1,201,077.00	900,000.00	2,101,077.00			Sep 2006
Total All Projects		\$ 3,413,492.00	\$ 900,000.00	\$ 4,313,492.00	\$ 325,809.00		

Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The projects listed on this schedule are those funded or to be funded by bond proceeds from the general obligation bonds authorized by Senate Bill 912.

DISTRIBUTION OF REVIEW REPORT

In accordance with General Statutes 147-64.5 and 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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The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
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June 24, 2003

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