STATE OF NORTH CAROLINA

BLUE RIDGE COMMUNITY COLLEGE

FLAT ROCK, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2009

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

BLUE RIDGE COMMUNITY COLLEGE

FLAT ROCK, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2009

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly Eaves Perdue, Governor
The General Assembly of North Carolina
Board of Trustees, Blue Ridge Community College

We have completed a financial statement audit of Blue Ridge Community College for the year ended June 30, 2009, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements disclosed certain deficiencies and/or instances of noncompliance that are detailed in the Audit Findings and Responses section of this report. The College's response is included following each finding.

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Blue Ridge Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Blue Ridge Community College Educational Foundation, Inc., the College's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundation, are based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Blue Ridge Community College Educational Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Blue Ridge Community College and its discretely presented component unit as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, during the year ended June 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2010 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

July 26, 2010

BLUE RIDGE COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Blue Ridge Community College's (BRCC) annual financial statements presents an overview of BRCC's financial activities during the fiscal year that ended on June 30, 2009. We encourage readers to consider this information in conjunction with the financial statements and the notes to the financial statements. For more information, please contact the Financial Services office at 828-694-1717.

Overview of the Financial Statements

This basic financial statement consists of three parts: Management's Discussion and Analysis, financial statement exhibits, and notes to the financial statements.

The financial statements of BRCC report information about BRCC using the economic resources measurement focus and the accrual basis of accounting. These statements offer short and long-term financial information about its activities.

The Statement of Net Assets includes all of BRCC's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of BRCC and assessing the liquidity and financial flexibility of BRCC.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This Statement measures the success of BRCC's operations over the past year and can be used to determine whether BRCC has successfully recovered all its costs through tuition and fees, grants, gifts, profitability, and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about BRCC's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as: where did the cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

The notes to the financial statement are a required component of the basic financial statements and explain in further detail some of the information in the financial statements.

Financial Analysis

Assets

The assets of the College are divided between current and noncurrent assets.

Current assets include cash, receivables, amounts due from other agencies or individuals, inventories, and notes receivable. The increase in cash is directly related to the timing of amounts due to vendors in construction projects in progress at June 30, 2009. The increase in receivables is related to the timing of Pell draw down and reimbursement from Workforce Investment Act (WIA).

	2009	2008	Increase/ (Decrease)
Current Assets			
Cash and Cash Equivalents	$ 343,784.18	$ 178,609.25	$ 165,174.93
Restricted Cash and Cash Equivalents	109,221.25	96,296.28	12,924.97
Receivables, Net	324,637.11	190,828.16	133,808.95
Due from State of North Carolina Component Units	45,582.26	35,963.23	9,619.03
Inventories	48,958.70	51,013.85	(2,055.15)
Prepaid Items	2,964.62	13,955.32	(10,990.70)
Notes Receivable, Net	9,450.13	11,362.02	(1,911.89)
Total Current Assets	$ 884,598.25	$ 578,028.11	$ 306,570.14

Noncurrent assets include cash, receivables, amounts due from primary government, and capital assets (land, construction in progress, buildings, general infrastructure, and equipment). The $1,182,536.76 decrease in noncurrent assets is due primarily to the reduction of receivables related to the new Technology Education and Development Center and the new Vocational Training Building.

	2009	2008 (as restated)	Increase/ (Decrease)
Noncurrent Assets			
Restricted Cash and Cash Equivalents	$ 203,053.82	$ 51,500.00	$ 151,553.82
Receivables, Net	281,030.48	2,278,211.89	(1,997,181.41)
Restricted Due from Primary Government	159,669.39	169,366.92	(9,697.53)
Capital Assets, Net	31,700,401.96	31,027,613.60	672,788.36
Total Noncurrent Assets	$ 32,344,155.65	$ 33,526,692.41	$ (1,182,536.76)

Capital Assets

The increase in capital assets can be attributed to equipment acquisitions for the completed Technology Education and Development Center and new Vocational Training Building, located on the Flat Rock and Transylvania locations.

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, as well as remaining balances of notes payable.

	2009	2008 (as restated)	Increase/ (Decrease)
Liabilities			
Current Liabilities	$ 868,934.80	$ 1,904,049.84	$ (1,035,115.04)
Noncurrent Liabilities	940,725.20	916,148.98	24,576.22
Total Liabilities	$ 1,809,660.00	$ 2,820,198.82	$ (1,010,538.82)

Total liabilities of the College decreased $1,010,538.82 during the year. This decrease is attributable to the completion of the two new buildings.

Net Assets

Total net assets were $31,419,093.90 for June 30, 2009. Net assets are a measure of all the College's assets after liabilities are deducted. There was an increase in total net assets of $134,572.20 from the prior year. Invested in Capital Assets increased $388,243.77 due to the completion of the construction and equipping of the new buildings.

	2009	2008 (as restated)	Increase / (Decrease)
NET ASSETS			
Invested in Capital Assets, Net	$ 31,415,857.37	$ 31,027,613.60	$ 388,243.77
Restricted	538,320.01	321,733.12	216,586.89
Unrestricted	(535,083.48)	(64,825.02)	(470,258.46)
Total Net Assets	$ 31,419,093.90	$ 31,284,521.70	$ 134,572.20

Revenues

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees and the revenue received from sales and services; principally comprised of commission received from the bookstore and vending contracts. The increase in Operating Revenues is mainly attributable to an increase in enrollment.

	2009	2008 (as restated)	Increase / (Decrease)
Operating Revenues			
Student Tuition and Fees, Net	$ 1,876,594.56	$ 1,757,730.49	$ 118,864.07
Sales and Services, Net	279,227.44	192,647.48	86,579.96
Other Operating Revenues	70,112.31	165,759.92	(95,647.61)
Total Operating Revenues	$ 2,225,934.31	$ 2,116,137.89	$ 109,796.42

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. Also included are funds appropriated from the Henderson County and Transylvania County Boards of Commissioners, and various other revenues deposited into Institutional Funds. The largest increase in Nonoperating Revenues is Federal Student Financial Aid due to an increase in enrollment. Also, the College received Federal Recovery Funds during the 2009 fiscal year.

	2009	2008 (as restated)	Increase/ (Decrease)
Nonoperating Revenues (Expenses)			
State Aid	$ 8,955,906.52	$ 9,048,870.24	$ (92,963.72)
State Aid - Federal Recovery Funds	411,154.03		411,154.03
County Appropriations	2,562,787.00	2,265,982.00	296,805.00
Noncapital Grants - Federal Student Financial Aid	1,775,460.11	1,163,287.39	612,172.72
Noncapital Grants & Gifts	1,602,727.87	1,402,778.17	199,949.70
Investment Income, Net	15,151.07	34,392.89	(19,241.82)
Other Nonoperating Revenues (Expenses)	117,299.63	(22,368.21)	139,667.84
Total nonoperating revenues	$ 15,440,486.23	$ 13,892,942.48	$ 1,547,543.75

Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and related fringe benefits. Depreciation expense is identified consistent with the requirements for GASB Statements No. 34/35. Total operating expenses increased a total of $1,123,014.49, primarily due to increases in expenses for scholarships and fellowships due to the increased enrollment for the fiscal year.

	2009	2008	Increase/ (Decrease)
Operating Expenses			
Personal Services	$ 12,832,333.78	$ 12,699,803.63	$ 132,530.15
Supplies and Materials	3,104,927.43	3,532,068.72	(427,141.29)
Services	2,203,268.78	1,909,421.04	293,847.74
Scholarships and Fellowships	1,638,514.92	927,907.58	710,607.34
Utilities	568,809.93	459,043.65	109,766.28
Depreciation	1,172,904.07	869,499.80	303,404.27
Total Operating Expenses	$ 21,520,758.91	$ 20,397,744.42	$ 1,123,014.49

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. Total capital contributions decreased $8,838,824.08, primarily due to the completion of the Technology Education and Development Center and the Vocational Training Building.

	2009	2008	Increase/ (Decrease)
Capital Contributions			
State Capital Aid	$ 1,129,233.12	$ 1,983,193.79	$ (853,960.67)
County Capital Aid	2,182,332.62	10,719,597.46	(8,537,264.84)
Capital Grants and Gifts	677,354.83	124,953.40	552,401.43
Total Capital Contributions	$ 3,988,920.57	$ 12,827,744.65	$ (8,838,824.08)

Future Capital Asset Activity

At June 30, 2009, the College had begun preliminary planning for the construction of an Allied Health building. Henderson County has approved funding for a $2,000,000.00 renovation and repair program for buildings on the Flat Rock campus. Funding is to be used on projects such as roof and window replacements and other improvements of a lasting nature. This program is expected to take approximately three years to complete. No commitments had yet been made for these future capital expenditures.

Significant Effects on Financial Position

At fiscal year ended June 30, 2009, the College had not received official information on the 2009-2010 budget from the State of North Carolina. Prior to issuance of the financial statements, the College learned that total State budget for the 2009-2010 fiscal year would be $12,533,167.00; this was followed by a $303,487.00 mandatory Management Flexibility Reduction and $500,636.00 reversion. Funding from the counties of Henderson and Transylvania remain at prior year levels, $2,405,133.00 and $341,428.00, respectively.

Overall, current fall term enrollment has increased by 14.25% over fall 2008 term enrollment, with a 16.26% increase in the curriculum area. More impressively, FTE growth is 22.89% and 25.65%, respectively. This increase in enrollment and FTE should contribute to an increase in revenues.

Blue Ridge Community College
Statement of Net Assets
June 30, 2009 ***Exhibit A-1***

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	343,784.18
Restricted Cash and Cash Equivalents		109,221.25
Receivables, Net (Note 4)		324,637.11
Due from State of North Carolina Component Units		45,582.26
Inventories		48,958.70
Prepaid Items		2,964.62
Notes Receivable, Net (Note 4)		9,450.13
Total Current Assets		884,598.25
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		203,053.82
Receivables, Net (Note 4)		281,030.48
Restricted Due from Primary Government		159,669.39
Capital Assets - Nondepreciable (Note 5)		1,649,975.61
Capital Assets - Depreciable, Net (Note 5)		30,050,426.35
Total Noncurrent Assets		32,344,155.65
Total Assets		33,228,753.90
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		356,643.86
Due to State of North Carolina Component Units		35,408.13
Due to County		12,747.12
Unearned Revenue		97,337.47
Funds Held for Others		37,796.56
Long-Term Liabilities - Current Portion (Note 7)		329,001.66
Total Current Liabilities		868,934.80
Noncurrent Liabilities:		
Due to County		25,179.24
Long-Term Liabilities (Note 7)		915,545.96
Total Noncurrent Liabilities		940,725.20
Total Liabilities		1,809,660.00

Blue Ridge Community College
Statement of Net Assets
June 30, 2009

NET ASSETS	
Invested in Capital Assets, Net	31,415,857.37
Restricted for:	
Nonexpendable:	
Loans	50,000.00
Other	1,500.00
Expendable:	
Scholarships and Fellowships	211,327.02
Loans	57,664.58
Capital Projects	54,468.31
Other	163,360.10
Unrestricted	(535,083.48)
Total Net Assets	$ 31,419,093.90

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

Blue Ridge Community College
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2009 ***Exhibit A-2***

REVENUES	
Operating Revenues:	
Student Tuition and Fees, Net (Note 9)	$ 1,876,594.56
Sales and Services, Net (Note 9)	279,227.44
Other Operating Revenues	70,112.31
Total Operating Revenues	2,225,934.31
EXPENSES	
Operating Expenses:	
Personal Services	12,832,333.78
Supplies and Materials	3,104,927.43
Services	2,203,268.78
Scholarships and Fellowships	1,638,514.92
Utilities	568,809.93
Depreciation	1,172,904.07
Total Operating Expenses	21,520,758.91
Operating Loss	(19,294,824.60)
NONOPERATING REVENUES (EXPENSES)	
State Aid	8,955,906.52
State Aid - Federal Recovery Funds	411,154.03
County Appropriations	2,562,787.00
Noncapital Grants - Federal Student Financial Aid	1,775,460.11
Noncapital Grants	1,212,063.91
Noncapital Gifts	390,663.96
Investment Income, Net	15,151.07
Other Nonoperating Revenues	117,299.63
Nonoperating Revenues	15,440,486.23
Income Before Other Revenues	(3,854,338.37)
State Capital Aid	1,129,223.12
County Capital Aid	2,182,332.62
Capital Grants	228,532.59
Capital Gifts	448,822.24
Increase in Net Assets	134,572.20
NET ASSETS	
Net Assets, July 1, 2008 as Restated (Note 16)	31,284,521.70
Net Assets, June 30, 2009	$ 31,419,093.90

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

Blue Ridge Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009 — *Exhibit A-3*

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 2,310,012.38
Payments to Employees and Fringe Benefits	(12,719,388.85)
Payments to Vendors and Suppliers	(5,689,358.72)
Payments for scholarships and fellowships	(1,638,514.92)
Loans Issued to Students	(26,960.64)
Collection of Loans to Students	28,152.02
Other Payments	(24,125.64)
Net Cash Used by Operating Activities	(17,760,184.37)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	9,367,060.55
County Appropriations	2,562,787.00
Noncapital Grants Received	2,746,107.28
Noncapital Gifts and Endowments Received	390,663.96
Cash Provided by Noncapital Financing Activities	15,066,618.79
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	1,138,920.65
County Capital Aid	2,182,332.62
Capital Grants Received	2,225,714.00
Capital Gifts Received	393,822.24
Proceeds from Sale of Capital Assets	142,446.71
Acquisition and Construction of Capital Assets	(2,812,849.33)
Principal Paid on Capital Debt	(262,318.66)
Net Cash Provided by Capital and Related Financing Activities	3,008,068.23
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	15,151.07
Net Increase in Cash and Cash Equivalents	329,653.72
Cash and Cash Equivalents, July 1, 2008	326,405.53
Cash and Cash Equivalents, June 30, 2009	$ 656,059.25

Blue Ridge Community College
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2009 — *Page 2*

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(19,294,824.60)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		1,172,904.07
Provision for Uncollectible Loans and Write-Offs		720.51
Miscellaneous Nonoperating Income		117,299.63
Changes in Assets and Liabilities:		
Receivables, Net		(85,556.64)
Inventories		2,055.15
Prepaid Items		10,990.70
Notes Receivable, Net		1,191.38
Accounts Payable and Accrued Liabilities		244,360.87
Due to Primary Government		(33,460.41)
Due to State of North Carolina Component Units		33,438.46
Unearned Revenue		(1,478.57)
Funds Held for Others		29,688.01
Compensated Absences		42,487.07
Net Cash Used by Operating Activities	$	(17,760,184.37)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	$	343,784.18
Cash and Cash Equivalents		109,221.25
Restricted Cash and Cash Equivalents		
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		203,053.82
Total Cash and Cash Equivalents - June 30, 2009	$	656,059.25

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	$	41,500.00
Assets Acquired through a Gift		55,000.00
Increase in Receivables Related to Nonoperating Income		9,619.03

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

Blue Ridge Community College Educational Foundation, Inc.
Statement of Financial Position
June 30, 2009 — *Exhibit B-1*

ASSETS		
Current Assets:		
Cash and Equivalents	$	1,248,322
Promises to Give, Current Portion		29,925
Other Receivables		19,187
Total Current Assets		1,297,434
Other Assets:		
Investments		5,890,673
Total Other Assets		5,890,673
Total Assets	$	7,188,107
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Scholarships Payable	$	20,000
Net Assets:		
Unrestricted:		
Undesignated		345,745
Board Designated		217,258
Total Unrestricted		563,003
Permanently Restricted		6,605,104
Total Net Assets		7,168,107
Total Liabilities and Net Assets	$	7,188,107

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

Blue Ridge Community College Educational Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2009

Exhibit B-2

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUES				
Contributions	$ 497,014	$ 461,940	$ 131,533	$ 1,090,487
Interest and Dividends	38,544	114,667	33	153,244
Realized Gain (Loss) on Investments	(183,118)	(667,169)	(163)	(850,450)
Unrealized Loss on Investments	(229,888)	(127,359)		(357,247)
Transfers	(52,653)	52,706	(53)	
Other	4,069	3,382		7,451
Net Assets Released from Restrictions	780,795	(780,795)		
Total Public Support and Revenues	854,763	(942,628)	131,350	43,485
EXPENSES				
Program Services:				
Scholarship Awards	300,351			300,351
Other Student Financial Assistance	38,703			38,703
Other Awards	689,687			689,687
Other Program Services	230			230
Total Program Services	1,028,971			1,028,971
Supporting Services	113,418			113,418
Total Expenses	1,142,389			1,142,389
Increase (Decrease) in Net Assets	(287,626)	(942,628)	131,350	(1,098,904)
Net Assets at Beginning of Year	850,629	942,628	6,473,754	8,267,011
Net Assets at End of Year	$ 563,003	$ 0	$ 6,605,104	$ 7,168,107

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. **Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. 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 of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. The discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness.

Discretely Presented Component Unit - Blue Ridge Community College Educational Foundation, Inc. is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 18 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2009, the Foundation distributed $1,028,971 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained by calling (828) 694-1710.

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*, the full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

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

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

D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund.

The short-term investment fund 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 charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, 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, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.

G. **Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The College capitalizes assets that have a value or cost in excess of $5,000 at the date of acquisition and an estimated useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 75 years for buildings, and 2 to 25 years for equipment.

The sculpture collection is capitalized at fair value at the date of donation. This collection is depreciated over the life of the collection using the straight-line method. The estimated useful life for the collection is 25 years.

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

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

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

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

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

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

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

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

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 central stores and a copy center. All internal sales activities to College departments from the print shop and other internal auxiliary operations have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the print shop and other 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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling $2,100.00, and deposits in private financial institutions with a carrying value of $452,552.82 and a bank balance of $625,425.70.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2009, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

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

At June 30, 2009, the amount shown on the Statement of Net Assets as cash and cash equivalents includes $201,406.43 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.8 years as of June 30, 2009. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) 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.ncosc.net/ and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Component Unit - Investments of the College's component unit, Blue Ridge Community College Educational Foundation, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements.

Investments are presented in the financial statements in the aggregate at fair market value as follows:

At June 30, 2009	Cost	Market
Stocks and Bonds	$ 6,105,200.00	$ 5,890,673.00

NOTE 3 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with State agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2009, net appreciation of $36,067.17 was available to be spent, of which $36,067.17 was restricted to specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2009, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 53,312.65	$ 3,704.35	$ 49,608.30
Intergovernmental	263,630.28		263,630.28
Other	13,513.02	2,114.49	11,398.53
Total Current Receivables	$ 330,455.95	$ 5,818.84	$ 324,637.11
Noncurrent Receivables:			
Intergovernmental	$ 281,030.48	$ 0.00	$ 281,030.48
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	$ 9,450.13	$ 0.00	$ 9,450.13

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30 009, is presented as follows:

	Balance July 1, 2008 (as restated)	Increases	Decreases	Balance June 30, 2009
Capital Assets, Nondepreciable:				
Land	$ 1,630,640.00	$ 0.00	$ 40,370.15	$ 1,590,269.85
Construction in Progress	15,968,401.14	151,547.97	16,060,243.35	59,705.76
Total Capital Assets, Nondepreciable	17,599,041.14	151,547.97	16,100,613.50	1,649,975.61
Capital Assets, Depreciable:				
Buildings	21,100,344.36	15,940,702.74		37,041,047.10
Machinery and Equipment	3,428,863.01	1,555,625.34	70,640.63	4,913,847.72
Art, Literature, and Artifacts		55,000.00		55,000.00
General Infrastructure	919,101.23	257,984.80		1,177,086.03
Total Capital Assets, Depreciable	25,448,308.60	17,809,312.88	70,640.63	43,186,980.85
Less Accumulated Depreciation/Amortization for:				
Buildings	9,701,930.06	767,222.10		10,469,152.16
Machinery and Equipment	1,682,647.71	373,898.64	56,085.71	2,000,460.64
Art, Literature, and Artifacts		583.33		583.33
General Infrastructure	635,158.37	31,200.00		666,358.37
Total Accumulated Depreciation	12,019,736.14	1,172,904.07	56,085.71	13,136,554.50
Total Capital Assets, Depreciable, Net	13,428,572.46	16,636,408.81	14,554.92	30,050,426.35
Capital Assets, Net	$ 31,027,613.60	$ 16,787,956.78	$ 16,115,168.42	$ 31,700,401.96

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2009, were as follows:

	Amount
Accounts Payable	$ 261,799.68
Accrued Payroll	85,978.18
Other	8,866.00
Total Accounts Payable and Accrued Liabilities	$ 356,643.86

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2009, is presented as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Current Portion
Notes Payable	$ 616,424.78	$ 222,793.05	$ 262,318.66	$ 576,899.17	$ 232,526.46
Compensated Absences	625,161.38	376,074.72	333,587.65	667,648.45	96,475.20
Total Long-Term Liabilities	$ 1,241,586.16	$ 598,867.77	$ 595,906.31	$ 1,244,547.62	$ 329,001.66

B. Notes Payable - The College was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2009	Principal Outstanding June 30, 2009
Computers & Peripherals	CalFirst	4.54%	08/01/2009	$ 347,903.30	$ 260,033.37	$ 87,869.93
Computers & Peripherals	CalFirst	4.34%	06/22/2011	85,396.45	40,882.93	44,513.52
Computers & Peripherals	CalFirst	4.09%	08/01/2011	222,793.05	62,821.92	159,971.13
Energy Conservation Equipment	BB&T	4.97%	12/12/2012	699,187.00	414,642.41	284,544.59
Total Notes Payable				$ 1,355,279.80	$ 778,380.63	$ 576,899.17

The annual requirements to pay principal and interest on notes payable at June 30, 2009, are as follows:

	Annual Requirements Notes Payable	
Fiscal Year	Principal	Interest
2010	$ 232,526.46	$ 23,957.51
2011	158,021.12	14,164.97
2012	141,639.75	6,828.30
2013	44,711.84	650.26
Total Requirements	$ 576,899.17	$ 45,601.04

NOTE 8 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for copiers. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2009:

Fiscal Year	Amount
2010	$ 105,324.36
2011	78,993.27
Total Minimum Lease Payments	$ 184,317.63

Rental expense for all operating leases during the year was $106,313.99.

NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 2,513,706.93	$ 0.00	$ 633,408.02	$ 3,704.35	$ 1,876,594.56
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Dining	$ 7,307.13	$ 0.00	$ 0.00	$ 0.00	$ 7,307.13
Bookstore	98,363.15				98,363.15
Athletics	25,312.47				25,312.47
Print Shop	178,706.91	124,214.65			54,492.26
Conference Center	21,570.00				21,570.00
Rent	13,148.92				13,148.92
Other	8,485.44	8,107.68			377.76
Sales and Services of Education and Related Activities	58,655.75				58,655.75
Total Sales and Services	$ 411,549.77	$ 132,322.33	$ 0.00	$ 0.00	$ 279,227.44

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Personal Services	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 7,543,388.45	$ 1,867,607.36	$ 510,158.08	$ 0.00	$ 0.00	$ 0.00	$ 9,921,153.89
Public Service	1,531.96						1,531.96
Academic Support	1,108,206.56	46,921.33	87,479.97				1,242,607.86
Student Services	707,989.32	28,348.73	134,970.68				871,308.73
Institutional Support	2,651,013.77	525,442.37	627,529.91				3,803,986.05
Operations and Maintenance of Plant	793,997.11	633,126.04	500,179.11		568,809.93		2,496,112.19
Student Financial Aid			180,430.89	1,638,514.92			1,818,945.81
Auxiliary Enterprises	26,206.61	3,481.60	162,520.14				192,208.35
Depreciation						1,172,904.07	1,172,904.07
Total Operating Expenses	$ 12,832,333.78	$ 3,104,927.43	$ 2,203,268.78	$ 1,638,514.92	$ 568,809.93	$ 1,172,904.07	$ 21,520,758.91

NOTE 11 - 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 is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units and local boards of education. The plan is administered by the North Carolina State Treasurer.

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, 2009, these rates were set at 3.36% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of $10,516,707.51, of which $8,400,807.25 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were $282,267.12 and $504,048.44, respectively.

Required employer contribution rates for the years ended June 30, 2008, and 2007, were 3.05% and 2.66%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2009, 2008, and 2007, which were $282,267.12, $254,693.93, and $225,273.42, 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.ncosc.net/ and clicking on "Proceed directly to OSC's index page," then "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 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 $140,435.24 for the year ended June 30, 2009.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue 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 $23,170.00 for the year ended June 30, 2009.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

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

The Plan's benefit and contribution provisions are established by *North Carolina General Statute* 135-7 and Chapter 135, Article 3A, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

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

For the current fiscal year the College contributed 4.1% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2008, and 2007, were 4.1% and 3.8%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2009, 2008, and 2007, which were $344,433.10, $317,323.59, and $321,819.18, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.ncosc.net/ and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

B. **Disability Income** - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly. For the fiscal year ended June 30, 2009, the College made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2008, and 2007, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2009, 2008, and 2007, which were $43,684.20, $43,423.22, and $44,038.41, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 13 - 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 $1,000,000 are retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

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

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

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $75,000 deductible. Employee dishonesty insurance for employees paid from non-State funds is purchased from a private insurance company with coverage of $50,000 per occurrence with a $500 deductible.

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

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 College entirely from county or institutional funds.

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

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 14 - COMMITMENTS

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 $154,053.88 at June 30, 2009.

NOTE 15 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2009, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

> GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.
>
> GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*.

GASB Statement No. 49, requires reporting pollution remediation obligations, including reporting pollution remediation obligations that previously may not have been reported.

GASB Statement No. 52, requires reporting land and other real estate held as investments at fair value. This statement amends GASB Statement No. 31 which required endowments to report land and other real estate investments at historical cost.

In addition, beginning with the year ended June 30, 2009, the College reports federal student aid as nonoperating revenue instead of operating revenue. This change was the result of a clarification in the GASB *Comprehensive Implementation Guide*.

NOTE 16 - NET ASSET RESTATEMENTS

As of July 1, 2008, net assets as previously reported was restated as follows:

		Amount
July 1, 2008 Net Assets as Previously Reported	$	30,783,678.27
Net Effect of Adjustments Recorded to Net Assets in Error		693,869.11
Duplication of Construction in Progress		(203,209.69)
Omission of Depreciable Assets and Correction of Depreciation		171,654.40
Capitalized Equipment in Error		(257,320.27)
Prior Year Fringe Benefits Included in Compensated Absences Liability		95,849.88
July 1, 2008 Net Assets as Restated	$	31,284,521.70

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

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

We have audited the financial statements of Blue Ridge Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2009, which collectively comprise the College's basic financial statements and have issued our report thereon dated July 26, 2010. Our report was modified to include a reference to other auditors.

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, during the year ended June 30, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control. We consider the deficiencies described in both findings in the Audit Findings and Responses section of this report to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider both findings to be material weaknesses.

<u>Compliance and Other Matters</u>

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The College's responses to the findings identified in our audit are described in the Audit Findings and Responses section of this report. We did not audit the College's response and, accordingly, we express no opinion on it.

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

This report is intended solely for the information and use of management of the College, the College Board of Trustees, others within the entity, the State Board of Community Colleges, the Governor, the General Assembly, and the State Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

July 26, 2010

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AUDIT FINDINGS AND RESPONSES

Matters Related to Financial Reporting

The following audit findings were identified during the current audit and describe conditions that represent significant deficiencies in internal control or noncompliance with laws, regulations, contracts, grant agreements, or other matters.

1. LACK OF INTERNAL CONTROL OVER INFORMATION SYSTEMS ACCESS

   The College did not maintain adequate internal control over access to its computer systems and data. Employees were assigned access rights to the accounting system that did not support appropriate segregation of duties. Specifically, we noted the following:

   a. We determined that seven of the 11 business office and administrative employees have unlimited access to all computer applications and to forms/data within those applications. These employees have the ability to initiate transactions and process them to completion.
   b. Four of these 11 employees have access to override certain automated system controls. These automated controls would typically prevent writing of checks without sufficient budget as well as the processing of duplicate invoices.
   c. Another employee has the ability to adjust registration rates in the accounting system, receipt cash, and adjust invoices for student accounts receivable.
   d. Capital assets are entered into the accounting system, disposed of, and inventoried by the same individual.
   e. The payroll accountant printed the payroll checks and had the authority and responsibility to enter payroll information into the information system.

   Access rights and related job duties should be segregated such that employees, in the normal course of performing their assigned functions, can prevent or detect errors or fraud on a timely basis.

   Recommendation: The College should take appropriate steps to strengthen internal controls over access to the computer systems and data. Employees' access rights should be limited to those that are necessary to perform their job duties.

   College's Response: The College concurs with the recommendation and has taken action to further limit employee computer system access rights. Access rights will be limited to those necessary to perform the specific job duties of each. Where personnel backups are necessary in the business office to carry on the daily business functions of the College, and common access rights are necessary, internal control procedures will be implemented to ensure compliance to internal control standards. In addition, the College has reviewed the organization of the business office and reassignment of duties will be implemented to strengthen internal controls and segregation of duties.

2. DEFICIENCIES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

The financial statements and related notes prepared by the College contained significant misstatements that were corrected as a result of our audit. These misstatements indicate that the College's internal control over financial reporting was not effective, and without the corrections, the financial statements could have been misleading to readers.

Misstatements noted in our audit included the following:

a. The College overstated state aid by $2,815,967 and understated state capital aid by $269,856. There was a lack of understanding at the College of the methodolgy for recording state fund certifications provided by the North Carolina Community College System's Office.

b. The College understated student tuition and fees by $1,638,515 and understated scholarships and fellowships by the same amount. College personnel were not aware that a tuition discount report could be prepared from the accounting system to assist in determining the required tuition discount entry.

c. The College understated county capital aid by $1,392,048. The receivable recorded by the College at June 30, 2008 was overstated, thus incorrect recognition of revenue occurred in the prior period as well.

d. The College understated net assets invested in capital assets by $292,354 and overstated unrestricted net assets by the same amount. Notes payable related to noncapitalized computer purchases were erroneously deducted from the invested in capital assets balance.

e. The Blue Ridge Community College Educational Foundation, Inc. (Foundation), the College's discretely presented component unit, was not disclosed as a part of the College's financial reporting entity in the signficant accounting policies note to the financial statements. This omission included the nature of the Foundation and $1,028,971 in distributions made to the College. In addition, Foundation deposits and investments in the amount of $5,890,673 were omitted from the deposits and investments note to the financial statements.

f. The College overstated state and local contracts and grants by $246,797 and understated noncapital grants by the same amount.

g. The College understated depreciation expense and depreciable capital assets by $180,601. Construction-in-progress for two building projects that had been completed and started to be used was not reclassified as depreciable capital assets. The College overstated depreciable capital assets in the amount of $150,632 and understated supplies and materials expense by the same amount. This occurred because the cost of the Technology Education and Development Center was overstated by $140,563, entries to record $31,092 in equipment were duplicated, and the capitalization of a greenhouse was understated by $21,023.

h. The College overstated capital gifts by $130,500, understated noncapital gifts by $37,740, and overstated student tuition and fees by $34,840, which also resulted in an understatement of unrestricted net assets of $127,600. The capital gifts were overstated when duplication occurred in recording gifts from the foundation.

i. The College overstated personal services expenses by $736,044. The College also overstated the total payroll amount disclosed in the pension plan note to the financial statements by $891,861.

j. The College overstated accounts payable by $229,148 and understated accrued payroll by $9,157.

k. The College overstated student tuition and fees and student accounts receivable by $409,984, and overstated the allowance for doutful accounts for student accounts receivable by $31,135. The revenue and allowance was recorded for students who registered for Fall 2009 classes. Since the services had not been rendered, no receivable or revenue should have been recorded.

l. The College's beginning net assets were understated by $693,849. The College had numerous journal entries recorded to net asset accounts throughout fiscal years 2008 and 2009. Entries to net assets should not occur for current tranactions. We recomputed ending net assets for fiscal year ended 2009 based on the audited amounts in the Statement of Net Assets. This recomputation, in conjunction with reliance on the audited Statement of Revenues, Expenditures, and Changes in Net Assets, resulted in the conclusion that the beginning net assets were understated and the beginning net assets were restated.

We also noted weaknesses in internal control over bank reconciliations and journal entries. The College did not perform bank reconciliations in a timely manner. We tested five bank reconciliations for timeliness and noted two that were not reconciled for over 60 days. In our test of controls over year-end journal entries, we noted three errors in 25 items sampled. These errors included a lack of documentation to support the journal entry as well as a lack of evidence to demonstrate that the entries were reviewed and approved prior to being entered into the information system.

Significant aspects of this finding were also reported in findings for two prior years.

Recommendation: The College should place greater emphasis on the year-end financial reporting process and implement effective internal controls to ensure the accuracy and completeness of the financial statements.

College's Response: The College has implemented controls and procedures to ensure the completeness and accuracy of the financial statements. More specifically, written procedures have been developed and implemented and are being utilized in the preparation of the financial statements for year ending June 30, 2010. Additionally, the business office is fully staffed this year; this enables the assignment of statement preparation tasks to multiple employees with a more effective review process emphasizing greater accuracy and completeness in the financial statements.

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