



STATE OF NORTH CAROLINA

BLADEN COMMUNITY COLLEGE

DUBLIN, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2013

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

BLADEN COMMUNITY COLLEGE

DUBLIN, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2013

STATE BOARD OF COMMUNITY COLLEGES

THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

DR. R. SCOTT RALLS, PRESIDENT

BOARD OF TRUSTEES

HAYES PETTEWAY, CHAIRMAN

ADMINISTRATIVE OFFICERS

DR. WILLIAM FINDT, PRESIDENT

JAY STANLEY, VICE PRESIDENT FOR FINANCE



Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
The General Assembly of North Carolina
Board of Trustees, Bladen Community College

We have completed a financial statement audit of Bladen Community College for the year ended June 30, 2013, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
College Exhibits	
A-1 Statement of Net Position	11
A-2 Statement of Revenues, Expenses, and Changes in Net Position.....	12
A-3 Statement of Cash Flows	13
Component Unit Exhibits	
B-1 Statement of Financial Position	15
B-2 Statement of Activities.....	16
Notes to the Financial Statements	17
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 <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	31
ORDERING INFORMATION	33

Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bladen Community College
Dublin, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Bladen 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Bladen Community College, and its discretely presented component unit as of June 30, 2013, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 24, 2014

[This Page Left Blank Intentionally]

BLADEN COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

The information in this section is intended to provide an overview of Bladen Community College's financial statements for the fiscal year ended June 30, 2013, with comparative data for the fiscal year ended June 30, 2012, and is based upon the information contained in the financial statements accompanying this discussion and analysis. Since Management's Discussion and Analysis is designed to focus on current activities, resulting change and currently known facts, it should be read in conjunction with the College's basic financial statements and notes. The College understands the responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (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 and Universities*. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. They are prepared under the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred. In summary, the reporting format is intended to condense and simplify the user's analysis of costs of various College services to students and the public. The three statements and their financial focus are discussed below.

The Statement of Net Position presents the financial position of the College at year-end. It includes all of the College's assets and liabilities with the difference reported as net position. Over time, increases and decreases in net position (the difference between assets and liabilities) are one indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross costs and the net costs of College activities, which are supported mainly by state, local, federal, and other revenues. This Statement presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A community college's dependency on state aid and gifts could result in operating deficits because the financial reporting model classifies state aid and gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, and capital financing and related activities, and helps measure the ability to meet financial obligations as they mature. The direct method is used to present the Statement of Cash Flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided.

Financial Highlights

The College has developed plans for a Continuing Education Building. The building is estimated to cost approximately \$5,963,949 with 29,582 square feet. The College has received \$115,000 from the North Carolina Community College System to begin the planning stage of this building, project number 1721. However, due to the state and local economy during the past fiscal year no work has been completed on this project.

Financial Analysis

Analysis of Assets, Liabilities and Net Position

The College did not have a significant change in current assets from the prior period. Both other noncurrent assets and net position restricted for capital projects decreased by 83.7% due to the receipt of state capital receivables reported in the prior year as restricted due from primary government. Noncurrent liabilities (compensated absences) increased by 15.6% as a result of more stable employment and less staff turnover at the College. Net position restricted for other decreased by 59.7% primarily due to the receipt of grant funds receivable in the prior period.

Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Increase (Decrease)	Percent Change
Assets				
Current Assets	\$ 1,547,794.35	\$ 1,635,107.86	\$ (87,313.51)	-5.3%
Noncurrent Assets:				
Capital Assets, Net of Depreciation	7,705,960.83	7,906,583.36	(200,622.53)	-2.5%
Other	87,582.51	537,269.54	(449,687.03)	-83.7%
Total Assets	<u>9,341,337.69</u>	<u>10,078,960.76</u>	<u>(737,623.07)</u>	-7.3%
Liabilities				
Current Liabilities	561,147.81	613,415.78	(52,267.97)	-8.5%
Noncurrent Liabilities	<u>336,939.66</u>	<u>291,421.59</u>	<u>45,518.07</u>	15.6%
Total Liabilities	<u>898,087.47</u>	<u>904,837.37</u>	<u>(6,749.90)</u>	-0.7%
Net Position				
Net Investment in Capital Assets	7,705,960.83	7,906,583.36	(200,622.53)	-2.5%
Restricted for:				
Expendable:				
Scholarships and Fellowships	49,896.64	27,441.76	22,454.88	81.8%
Capital Projects	87,582.51	537,269.54	(449,687.03)	-83.7%
Restricted for Specific Programs	157,398.39	133,500.10	23,898.29	17.9%
Other	68,437.33	169,888.42	(101,451.09)	-59.7%
Unrestricted	<u>373,974.52</u>	<u>399,440.21</u>	<u>(25,465.69)</u>	-6.4%
Total Net Position	<u>\$ 8,443,250.22</u>	<u>\$ 9,174,123.39</u>	<u>\$ (730,873.17)</u>	-8.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Analysis of Net Capital Assets

The categories of the College's capital assets are shown in the schedule below. It is prepared on an accrual basis of accounting whereby assets are capitalized and depreciated. During the period the College was able to utilize state funds and funds received from technology fees to upgrade and replace computer technology on campus. Not shown in the figures below are funds received for campus renovation projects including the Health Education classrooms, infrastructure compliance needs, carpentry shop, auditorium, and the Continuing Education facility. These amounts are not shown below because the projects were expensed as routine repair and maintenance.

	June 30, 2013	June 30, 2012	Change	Percent Change
Capital Assets:				
Land	\$ 78,163.55	\$ 78,163.55	\$ 0.00	0.00%
Construction in Progress	96,552.76	96,552.76		
Buildings	11,233,849.31	11,233,849.31		
Machinery and Equipment	1,339,519.21	1,239,969.15	99,550.06	8.03%
General Infrastructure	818,740.06	818,740.06		
Total	13,566,824.89	13,467,274.83	99,550.06	0.74%
Less: Accumulated Depreciation	5,860,864.06	5,560,691.47	300,172.59	5.40%
Net Capital Assets	<u>\$ 7,705,960.83</u>	<u>\$ 7,906,583.36</u>	<u>\$ (200,622.53)</u>	<u>-2.54%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Analysis of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of the College's operations. A condensed statement with prior year comparative figures is presented below:

	June 30, 2013	June 30, 2012	Change	Percent Change
Operating Revenues:				
Student Tuition and Fees, Net	\$ 699,475.22	\$ 713,096.82	\$ (13,621.60)	-1.91%
Sales and Services, Net	296,382.26	368,537.52	(72,155.26)	-19.58%
Other Operating Revenues	39,517.99	47,559.88	(8,041.89)	-16.91%
Total Operating Revenues	1,035,375.47	1,129,194.22	(93,818.75)	-8.31%
Operating Expenses:				
Salaries and Benefits	10,030,190.46	9,467,457.20	562,733.26	5.94%
Supplies and Materials	2,186,179.73	2,029,651.88	156,527.85	7.71%
Services	947,432.64	1,027,589.04	(80,156.40)	-7.80%
Scholarships and Fellowships	2,311,958.07	3,099,486.44	(787,528.37)	-25.41%
Utilities	172,246.35	181,385.98	(9,139.63)	-5.04%
Depreciation	309,481.33	311,731.65	(2,250.32)	-0.72%
Total Operating Expenses	15,957,488.58	16,117,302.19	(159,813.61)	-0.99%
Operating Loss	(14,922,113.11)	(14,988,107.97)	65,994.86	-0.44%
Nonoperating Revenues (Expenses):				
State Aid	8,035,967.94	7,066,933.41	969,034.53	13.71%
County Appropriations	702,896.84	701,540.92	1,355.92	0.19%
Noncapital Grants and Gifts	5,013,223.75	6,433,571.98	(1,420,348.23)	-22.08%
Other Nonoperating Revenues (Expenses)	6,178.14	(15,770.33)	21,948.47	-139.18%
Net Nonoperating Revenues	13,758,266.67	14,186,275.98	(428,009.31)	-3.02%
Other Revenues:				
State Capital Aid	312,731.20	505,320.86	(192,589.66)	-38.11%
County Capital Aid	33,644.16	97,786.75	(64,142.59)	-65.59%
Capital Grants	86,597.91	428,414.11	(341,816.20)	-79.79%
Increase (Decrease) in Net Position	(730,873.17)	229,689.73	(960,562.90)	-418.20%
Net Position - July 1	9,174,123.39	8,944,433.66	229,689.73	2.57%
Net Assets - June 30	\$ 8,443,250.22	\$ 9,174,123.39	(730,873.17)	-7.97%

The decrease in operating revenues is primarily due to a decline in enrollment from the prior period. The duplicated headcount enrolled decreased by 11% to 3,102 students, while the budgeted full time equivalency (FTE) decreased from 1,881 to 1,782 FTE. The 5.9% increase in salaries and benefits was caused by a combination of the following factors: an increase in full-time employees, a 1.2% raise awarded to full time employees, a one-time \$200 bonus paid to full-time employees, and a 12% increase in the College's retirement contribution

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

expense. The decreases in scholarships and fellowships and noncapital grant revenues were caused by the combination of a decrease in enrollment and the implementation of new requirements for the Department of Education's Pell Grant. Pell awards decreased from \$2,748,377 in 2012 to \$2,072,411 in 2013. The 79.79% decrease in capital grants was due to the completion of several renovation projects funded by Golden Leaf grants received in the prior period that were not applicable to 2013.

Economic Outlook and Effects on Financial Reporting

The economy of the United States and North Carolina continued to feel the nation's recession during the 2012-2013 fiscal year. As of June 30, 2013, unemployment in Bladen County was 12.5%, almost 3 percentage points higher than the State of North Carolina's unemployment percentage of 9.6%. The high percentage of unemployment in the Bladen County area contributed to the continued demand for student financial aid through the Department of Education's Pell Grant. Bladen and surrounding counties experienced job losses due to plant closings and downsizings before the recession began. Since the closings and downsizing, job growth has been virtually nonexistent in all sectors of the local economy. Bladen County's major industries continue to be pork processing and agri-business, most of which are associated with pork and timber. Other primary employers include a chemical plant, retail, and the public sector.

Bladen Community College's enrollment FTE has historically correlated with increases and decreases in the area's unemployment rate. The College realized a budget FTE decrease in fiscal year 2012-13 of 5.6% over the 2011-2012 fiscal year. The North Carolina Community College System also realized a budget FTE decrease for fiscal year 2012-13 of 1.2% over the 2011-2012 fiscal year. Similar to previous years, the College's state funding of \$10,460,445 provided the major source of funding.

The State's economic outlook, the realized decline in enrollment of the North Carolina Community College System, and the state funding formula change from the higher of the previous year's enrollment or the average of a three-year enrollment to the higher of the previous year's enrollment or the average of a two-year enrollment has resulted in 4,279 fewer FTE being funded system wide. To transition into the new funding model, nonrecurring transition funds were appropriated to community colleges most affected by the policy change. Overall, colleges' budget FTE has declined by 2.5% in the 2013-14 budget with a funding decline of approximately 1%. The Community College System received a decrease in management flexibility reductions of 12%.

The system-wide college's enrollment outlook for FY 2013-2014 remains uncertain. The first semester of the 2013-2014 fiscal year has shown similar enrollment as the first semester of the 2012-2013 fiscal year. Equipment funding for the 2013-2014 fiscal year has been fully funded with \$10 million of non-recurring funds. By contrast, funding for the following fiscal years is uncertain. Current projections are that the Community College System can expect state funding reduction of two to five percent for fiscal year 2014-2015. Bladen Community College will need to plan for adjustments in scheduling and operations to accommodate the expected funding reductions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

With \$736,541 in county appropriations and county capital aid, the College continues to lag behind the state average in local funding for operations and maintenance. Funding remains flat despite the increase in costs such as maintenance supplies and utilities. The escalating cost of energy and maintenance material and the addition of the new library building have placed increased demands on the limited local funding. Local capital funding has been inadequate over the past eight years. The College is hopeful that capital funding will be restored as the economy improves over time.

Request of Information

This information is designed to provide a general overview of Bladen Community College's finances for all those with an interest in the College's finances. Questions concerning any of this information should be addressed to Jay Stanley, Vice President for Finance, Bladen Community College, 7418 NC Highway 41W, Dublin, NC 28332, (910) 879-5503.

Bladen Community College
Statement of Net Position
June 30, 2013

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 759,005.74
Restricted Cash and Cash Equivalents	277,173.32
Receivables, Net (Note 3)	286,653.82
Inventories	224,961.47
	<hr/>
Total Current Assets	1,547,794.35

Noncurrent Assets:

Restricted Cash and Cash Equivalents	28,149.26
Restricted Due from Primary Government	59,433.25
Capital Assets - Nondepreciable (Note 4)	174,716.31
Capital Assets - Depreciable, Net (Note 4)	7,531,244.52
	<hr/>
Total Noncurrent Assets	7,793,543.34

Total Assets	<hr/> <hr/> 9,341,337.69
--------------	--------------------------

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	442,308.26
Unearned Revenue	93,248.25
Funds Held for Others	5,452.05
Long-Term Liabilities - Current Portion (Note 6)	20,139.25
	<hr/>
Total Current Liabilities	561,147.81

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	336,939.66
	<hr/>
Total Liabilities	898,087.47

NET POSITION

Net Investment in Capital Assets	7,705,960.83
Restricted for:	
Expendable:	
Scholarships and Fellowships	49,896.64
Capital Projects	87,582.51
Restricted for Specific Programs	157,398.39
Other	68,437.33
Unrestricted	373,974.52
	<hr/>
Total Net Position	\$ 8,443,250.22

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

***Bladen Community College
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2013***

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	\$ 699,475.22
Sales and Services, Net (Note 8)	296,382.26
Other Operating Revenues	39,517.99
	<hr/>
Total Operating Revenues	1,035,375.47
	<hr/>

EXPENSES

Operating Expenses:	
Salaries and Benefits	10,030,190.46
Supplies and Materials	2,186,179.73
Services	947,432.64
Scholarships and Fellowships	2,311,958.07
Utilities	172,246.35
Depreciation	309,481.33
	<hr/>
Total Operating Expenses	15,957,488.58
	<hr/>
Operating Loss	(14,922,113.11)
	<hr/>

NONOPERATING REVENUES

State Aid	8,035,967.94
County Appropriations	702,896.84
Noncapital Grants	5,012,478.75
Noncapital Gifts	745.00
Other Nonoperating Revenues	6,178.14
	<hr/>
Total Nonoperating Revenues	13,758,266.67
	<hr/>
Loss Before Other Revenues	(1,163,846.44)
	<hr/>
State Capital Aid	312,731.20
County Capital Aid	33,644.16
Capital Grants	86,597.91
	<hr/>
Decrease in Net Position	(730,873.17)
	<hr/>

NET POSITION

Net Position, July 1, 2012	9,174,123.39
	<hr/>
Net Position, June 30, 2013	\$ 8,443,250.22
	<hr/> <hr/>

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

***Bladen Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013***

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

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 1,063,628.27
Payments to Employees and Fringe Benefits	(10,024,392.30)
Payments to Vendors and Suppliers	(3,343,881.80)
Payments for Scholarships and Fellowships	(2,311,958.07)
Other Receipts	5,799.82
	<hr/>
Net Cash Used by Operating Activities	(14,610,804.08)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	8,035,967.94
County Appropriations	702,896.84
Noncapital Grants Received	5,114,014.75
Noncapital Gifts Received	745.00
	<hr/>
Cash Provided by Noncapital Financing Activities	13,853,624.53

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	762,418.23
County Capital Aid	33,644.16
Capital Grants Received	86,597.91
Acquisition of Capital Assets	(109,315.32)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	773,344.98

Net Increase in Cash and Cash Equivalents	16,165.43
Cash and Cash Equivalents, July 1, 2012	1,048,162.89
	<hr/>
Cash and Cash Equivalents, June 30, 2013	\$ 1,064,328.32

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (14,922,113.11)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	309,481.33
Miscellaneous Nonoperating Income	6,634.66
Changes in Assets and Liabilities:	
Receivables, Net	49,655.31
Inventories	(47,712.37)
Accounts Payable and Accrued Liabilities	(17,863.44)
Unearned Revenue	(20,932.51)
Funds Held for Others	(834.84)
Compensated Absences	32,880.89
	<hr/>
Net Cash Used by Operating Activities	\$ (14,610,804.08)

***Bladen Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013***

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

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 759,005.74
Restricted Cash and Cash Equivalents	277,173.32
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>28,149.26</u>
Total Cash and Cash Equivalents - June 30, 2013	<u><u>\$ 1,064,328.32</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Loss on Disposal of Capital Assets	\$ (456.52)
------------------------------------	-------------

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

Bladen Community College Foundation, Inc.
Statement of Financial Position
June 30, 2013

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	579,857
Fixed Assets, Net		<u>10,000</u>
Total Assets		<u>589,857</u>

LIABILITIES

Accounts Payables		<u>0</u>
Total Liabilities		<u>0</u>

NET ASSETS

Unrestricted		199,597
Temporarily Restricted		80,260
Permanently Restricted		<u>310,000</u>
Total Net Assets	\$	<u><u>589,857</u></u>

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

Bladen Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2013

Exhibit B-2

SUPPORT AND REVENUE:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support:				
Contributions	\$ 10,662	\$ 25,371	\$ 15,162	\$ 51,195
Fundraising	17,075			17,075
Net Assets Released from Restrictions				0
Total Support	<u>27,737</u>	<u>25,371</u>	<u>15,162</u>	<u>68,270</u>
Revenue:				
Interest and Dividends	1,194	1,463		2,657
Miscellaneous Income	400			400
Total Revenue	<u>1,594</u>	<u>1,463</u>	<u>0</u>	<u>3,057</u>
Total Support and Revenue	<u>29,331</u>	<u>26,834</u>	<u>15,162</u>	<u>71,327</u>
Expenses:				
Program Expenses	34,405			34,405
Fundraising Expenses	3,792			3,792
General and Administrative Expenses	7,587			7,587
Total Expenses	<u>45,784</u>			<u>45,784</u>
Increase/(Decrease) in Net Assets	(16,453)	26,834	15,162	25,543
Net Assets - Beginning of Year	<u>216,050</u>	<u>53,426</u>	<u>294,838</u>	<u>564,314</u>
Net Assets - End of Year	<u>\$ 199,597</u>	<u>\$ 80,260</u>	<u>\$ 310,000</u>	<u>\$ 589,857</u>

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

BLADEN COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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. Bladen 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. 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 their use of different GAAP reporting models and to emphasize their legal separateness.

Discretely Presented Component Unit – The Bladen Community College Foundation, Inc. (Foundation) is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of their 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 22 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 the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2013, the Foundation distributed \$29,179 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the College's Vice President for Finance at 7418 NC Highway 41 West, Dublin, N.C. 28332, or by calling (910) 879-5503.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, the full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

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

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange, include state 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, and cash on deposit with private bank accounts.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 100 years for buildings, and 2 to 30 years for equipment.

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

I. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include 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.

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

There is no liability for unpaid accumulated sick leave because the College has no obligation to pay sick leave upon termination or

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

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

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

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

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

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

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 Position. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

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 Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, and (2) sales and services of auxiliary enterprises. Operating expenses are all expense transactions incurred other than those related to

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE 2 - DEPOSITS

The College is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute 115D-58.7*. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling \$1,070, and deposits in private financial institutions with a carrying value of \$1,063,258.32, and a bank balance of \$1,216,502.83.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2013, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 356,482.86	\$ 198,999.84	\$ 157,483.02
Student Sponsors	14,980.29		14,980.29
Accounts	111,447.80		111,447.80
Employees	<u>2,742.71</u>		<u>2,742.71</u>
Total Current Receivables	<u>\$ 485,653.66</u>	<u>\$ 198,999.84</u>	<u>\$ 286,653.82</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2013, is presented as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital Assets, Nondepreciable:				
Land	\$ 78,163.55	\$ 0.00	\$ 0.00	\$ 78,163.55
Construction in Progress	96,552.76			96,552.76
Total Capital Assets, Nondepreciable	174,716.31	0.00	0.00	174,716.31
Capital Assets, Depreciable:				
Buildings	11,233,849.31			11,233,849.31
Machinery and Equipment	1,239,969.15	109,315.32	9,765.26	1,339,519.21
General Infrastructure	818,740.06			818,740.06
Total Capital Assets, Depreciable	13,292,558.52	109,315.32	9,765.26	13,392,108.58
Less Accumulated Depreciation for:				
Buildings	4,765,452.61	210,908.52		4,976,361.13
Machinery and Equipment	373,129.56	83,217.73	9,308.74	447,038.55
General Infrastructure	422,109.30	15,355.08		437,464.38
Total Accumulated Depreciation	5,560,691.47	309,481.33	9,308.74	5,860,864.06
Total Capital Assets, Depreciable, Net	7,731,867.05	(200,166.01)	456.52	7,531,244.52
Capital Assets, Net	\$ 7,906,583.36	\$ (200,166.01)	\$ 456.52	\$ 7,705,960.83

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2013, were as follows:

	Amount
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 15,481.31
Accrued Payroll	414,255.76
Intergovernmental Payables	12,571.19
Total Accounts Payable and Accrued Liabilities	\$ 442,308.26

NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2013, is presented as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Compensated Absences	\$ 324,198.02	\$ 211,764.18	\$ 178,883.29	\$ 357,078.91	\$ 20,139.25

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2013:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 55,787.13
2015	2,358.00
Total Minimum Lease Payments	\$ 58,145.13

Rental expense for all operating leases during the year was \$88,537.86.

NOTE 8 - REVENUES

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

	<u>Gross Revenues</u>	<u>Internal Sales Eliminations</u>	<u>Less Scholarship Discounts</u>	<u>Less Allowance for Uncollectibles*</u>	<u>Net Revenues</u>
Operating Revenues:					
Student Tuition and Fees	<u>\$ 2,368,579.11</u>	<u>\$ 0.00</u>	<u>\$ 1,518,264.14</u>	<u>\$ 150,839.75</u>	<u>\$ 699,475.22</u>
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Vending	\$ 9,708.23	\$ 0.00	\$ 0.00	\$ 0.00	\$ 9,708.23
Bookstore	1,132,090.19	4,524.16	755,539.95	96,612.05	275,414.03
Other - Rent	11,260.00				11,260.00
Total Sales and Services	<u>\$ 1,153,058.42</u>	<u>\$ 4,524.16</u>	<u>\$ 755,539.95</u>	<u>\$ 96,612.05</u>	<u>\$ 296,382.26</u>

* Note: The Allowance for Uncollectibles is equivalent to the change in the Allowance for Doubtful Accounts, excluding items such as direct write-offs.

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	\$ 5,985,284.56	\$ 607,101.27	\$ 189,591.27	\$ 0.00	\$ 6,240.61	\$ 0.00	\$ 6,788,217.71
Academic Support	1,066,265.46	44,506.99	13,056.40				1,123,828.85
Student Services	661,227.48	9,936.82	63,895.68				735,059.98
Institutional Support	1,724,898.81	107,872.58	336,395.91				2,169,167.30
Operations and Maintenance of Plant	347,491.07	449,947.45	101,827.62		166,005.74		1,065,271.88
Student Financial Aid	179,381.44	1,806.66	130,943.25	2,311,958.07			2,624,089.42
Auxiliary Enterprises	65,641.64	965,007.96	111,722.51				1,142,372.11
Depreciation						309,481.33	309,481.33
Total Operating Expenses	\$ 10,030,190.46	\$ 2,186,179.73	\$ 947,432.64	\$ 2,311,958.07	\$ 172,246.35	\$ 309,481.33	\$ 15,957,488.58

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 (TSERS) 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 a 14-member Board of Trustees, with the State Treasurer serving as Chairman of the Board.

Benefit and contribution provisions for the TSERS 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, 2013, these rates were set at 8.33% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$8,463,000.79, of which \$6,491,565.02 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$540,747.37 and \$389,493.90, respectively.

Required employer contribution rates for the years ended June 30, 2012, and 2011, were 7.44% and 4.93%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2013, 2012, and 2011, which were \$540,747.37, \$451,101.87, and \$289,031.59, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The TSERS financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- B. Deferred Compensation and Supplemental Retirement Income Plans** - Internal Revenue Code 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 \$26,305 for the year ended June 30, 2013.

Internal Revenue Code 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 \$108,156 for the year ended June 30, 2013.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of 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 established by the General Assembly.

For the current fiscal year the College contributed 5.3% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2012, and 2011, were 5.0% and 4.9%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2013, 2012, and 2011, which were \$344,052.95, \$303,159.86, and \$287,272.77, 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.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- B. Disability Income** - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of 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 by the General Assembly. For the fiscal

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

year ended June 30, 2013, the College made a statutory contribution of .44% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2012, and 2011, was .52% for both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2013, 2012, and 2011, which were \$28,562.89, \$31,528.63, and \$30,486.09, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 12 - RISK MANAGEMENT

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. The College is protected from losses from employee dishonesty and computer fraud for employees paid entirely from county or institutional funds by a contract with a private insurance company.

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

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

Term life insurance (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 13 - COMMITMENTS AND CONTINGENCIES

- A. **Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. The College did not have any outstanding commitments at June 30, 2013.
- B. **Pending Litigation and Claims** - The College is a party to 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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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.

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

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

Board of Trustees
Bladen Community College
Dublin, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bladen 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 24, 2014. Our report includes a reference to other auditors who audited the financial statements of the Bladen Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the Bladen Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Bladen Community College Foundation, Inc.

Internal Control Over Financial Reporting

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

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

**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)**

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 24, 2014

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Telephone: 919-807-7500

Facsimile: 919-807-7647

Internet: <http://www.ncauditor.net>

To report alleged incidents of fraud, waste or abuse in state government contact the:

Office of the State Auditor Fraud Hotline: 1-800-730-8477

or download our free app



<https://play.google.com/store/apps/details?id=net.ncauditor.ncauditor>



<https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745>

For additional information contact:

Bill Holmes

Director of External Affairs