STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

BLADEN COMMUNITY COLLEGE

DUBLIN, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2015

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA

NCOSA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor

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State Auditor

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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, 2015, 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 ways listed in the back of this report.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

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State Auditor

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Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency. The Auditor also has the power to summon people to produce records and to answer questions under oath.

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Bladen Community College, and its discretely presented component unit, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, during the year ended June 30, 2015, Bladen Community College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters – Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 22, 2016

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, 2015, with comparative data for the fiscal year ended June 30, 2014, 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 assets (current and noncurrent), deferred outflow of resources, liabilities (current and noncurrent), deferred inflow of resources and net position (total assets plus deferred outflows of resources minus total liabilities and deferred inflows of resources) of the College. Over time, increases and decreases in net position 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, capital financing, and related investing activities, and helps measure the ability to meet financial obligations as they mature. The direct method is used to present the Cash Flow Statement.

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.

Additionally, the College has plans for construction of a Workforce Development Building. The College has been awarded a Golden LEAF Foundation grant and a commitment for funds from the county. In addition, the College has applied for an Economic Development Administration grant totaling over $1 million. These funds together would total nearly $2 million and be used towards the construction of the building.

Financial Analysis

Statement of Net Position

Noncurrent liabilities decreased by $2,011,993.54 (70.8%), which was substantially attributable to the change of the College's proportionate share of the collective net pension liability for the Teachers' and State Employees' Retirement System.

With the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributors Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, the College recorded deferred outflows related to pensions of $537,180, a net pension liability of $476,472, and deferred inflows related to pensions of $1,720,887 at June 30, 2015. The College's unrestricted net position at June 30, 2014 was $546,569.41. After restating for GASB 68, unrestricted net position was ($1,444,503.59) as of July 1, 2014 - a decrease of $1,991,073. Unrestricted net position at June 30, 2015 was ($1,127,819.01) - an increase of $316,684.58 from the restated July 1, 2014 balance.

Condensed Statement of Net Position

	June 30, 2015	June 30, 2014 (as restated)	Change	Percent Change
Assets				
Current Assets:	$ 1,663,060.00	$ 1,621,637.74	$ 41,422.26	2.6%
Noncurrent Assets:				
Capital Assets, Net of Depreciation	7,408,994.65	7,562,129.83	(153,135.18)	-2.0%
Other	18,900.00	50,599.48	(31,699.48)	-62.6%
Total Assets	9,090,954.65	9,234,367.05	(143,412.40)	-1.6%
Deferred Outflows of Resources	537,180.00	540,542.00	(3,362.00)	-0.6%
Liabilities				
Current Liabilities	602,125.86	528,006.49	74,119.37	14.0%
Noncurrent Liabilities	829,561.12	2,841,554.66	(2,011,993.54)	-70.8%
Total Liabilities	1,431,686.98	3,369,561.15	(1,937,874.17)	-57.5%
Deferred Inflows of Resources	1,720,887.00	0.00	1,720,887.00	100.0%
Net Position				
Net Investment in Capital Assets	7,408,994.65	7,562,129.83	(153,135.18)	-2.0%
Restricted	194,385.03	287,721.66	(93,336.63)	-32.4%
Unrestricted	(1,127,819.01)	(1,444,503.59)	316,684.58	21.9%
Total Net Position	$ 6,475,560.67	$ 6,405,347.90	$ 70,212.77	1.1%

Analysis of Net Capital Assets

The categories of the College's capital assets are shown in the schedule below. The schedule is prepared on an accrual basis of accounting whereby assets are capitalized and depreciated. The College was able to utilize state funds and funds received from technology fees to upgrade and replace computer technology on campus. The College was able to purchase needed equipment for instructional purposes, including a Fire Training Mobile Unit, with equipment funds provided by the State.

	June 30, 2015	June 30, 2014	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	1,539,166.29	1,451,874.64	87,291.65	6.01%
General Infrastructure	818,740.06	818,740.06		
Total	13,766,471.97	13,679,180.32	87,291.65	0.64%
Less: Accumulated Depreciation	6,357,477.32	6,117,047.49	240,429.83	3.93%
Net Capital Assets	$ 7,408,994.65	$ 7,562,132.83	$ (153,138.18)	-2.03%

Statement 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:

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2015	June 30, 2014 *	Change	Percent Change
Operating Revenues:				
Student Tuition and Fees, Net	$ 744,705.00	$ 826,111.96	$ (81,406.96)	-9.85%
Sales and Services, Net	275,036.24	223,735.58	51,300.66	22.93%
Other Operating Revenues	40,539.51	38,220.97	2,318.54	6.07%
Total Operating Revenues	1,060,280.75	1,088,068.51	(27,787.76)	-2.55%
Operating Expenses:				
Salaries and Benefits	8,875,184.94	9,449,335.28	(574,150.34)	-6.08%
Supplies and Materials	1,438,949.93	1,395,498.10	43,451.83	3.11%
Services	981,504.10	1,121,533.71	(140,029.61)	-12.49%
Scholarships and Fellowships	1,859,809.83	2,095,380.22	(235,570.39)	-11.24%
Utilities	175,950.90	174,219.72	1,731.18	0.99%
Depreciation	315,918.69	311,181.16	4,737.53	1.52%
Total Operating Expenses	13,647,318.39	14,547,148.19	(899,829.80)	-6.19%
Operating Loss	(12,587,037.64)	(13,459,079.68)	872,042.04	-6.48%
Nonoperating Revenues (Expenses):				
State Aid	7,193,430.65	7,652,335.19	(458,904.54)	-6.00%
County Appropriations	765,803.00	722,025.00	43,778.00	6.06%
Noncapital Grants and Gifts	4,348,007.68	4,715,726.66	(367,718.98)	-7.80%
Other Nonoperating Expenses	(4,118.92)	(17,475.05)	13,356.13	-76.43%
Net Nonoperating Revenues	12,303,122.41	13,072,611.80	(769,489.39)	-5.89%
Other Revenues:				
State Capital Aid	280,528.00	245,387.87	35,140.13	14.32%
County Capital Aid	30,000.00	58,778.00	(28,778.00)	-48.96%
Capital Grants	43,600.00	35,472.69	8,127.31	22.91%
Total Other Revenues	354,128.00	339,638.56	14,489.44	4.27%
Increase (Decrease) in Net Position	70,212.77	(46,829.32)	$ 117,042.09	249.93%
Net Position - Beginning of Year	8,396,420.90	8,443,250.22		
Restatement	(1,991,073.00)			
Net Position - End of Year	$ 6,475,560.67	$ 8,396,420.90		
Reconciliation of Change in Net Position				
Total Revenues	$ 13,721,650.08	$ 14,517,793.92	$ (796,143.84)	-5.48%
Less: Total Expenses	13,651,437.31	14,564,623.24	(913,185.93)	-6.27%
Increase (Decrease) in Net Position	$ 70,212.77	$ (46,829.32)	$ 117,042.09	249.93%

** Note: The year ended June 30, 2014 column is not presented "as restated" above because actuarial calculations performed relative to the implementation of GASB 68 do not provide sufficient information to restate these amounts.*

Analysis of Statement of Revenues, Expenses, and Changes in Net Position Comparison

The Statement of Revenues, Expenses and Changes in Net Position reflects a favorable change in net position of $117,042.09 from prior year. Some highlights of the changes are as follows:

- Operating expenses decreased $899,829.80 (6.19%). Reasons include a decrease in salaries of $574,150.34 due to implementation of GASB 68 and unfilled full-time positions. The decrease in services of $140,029.61 is due to fewer repairs on buildings for the year. Scholarships and fellowships were down $235,570.39 due to a reduction in Federal Pell Grants because of lower enrollment at the College. During the fiscal year ended June 30, 2015, the College experienced a decline in budgeted full time equivalency (FTE) funding of 9.5%. More specifically, budgeted FTE went from 1,603 students to 1,451 students.
- Net nonoperating revenues were down $769,489.39 (5.89%). The decline in enrollment mentioned previously led mostly to the decrease in state aid of $458,904.54 and to the decrease in noncapital grants and gifts of $367,718.98.

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 2014-2015 fiscal year. As of June 30, 2015, unemployment in Bladen County was 2.7% higher than the State of North Carolina's unemployment percentage of 5.8%. 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 Award. 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 2014-15 of 9.5% over the 2013-2014 fiscal year. The North Carolina Community College system also realized a budget FTE decrease for fiscal year 2014-15 of approximately 2.92% over the 2013-2014 fiscal year. Similar to previous years, the College's state funding budget of $9.3 million provided the major source of funding. The State's economic outlook and the realized decline in enrollment of the North Carolina Community College System has resulted in 6,613 fewer FTE being funded system wide.

The College's enrollment outlook for FY 2015-2016 appears to be stabilizing with enrollment leveling at approximately the same as FY 2014-2015. The first semester of the 2015-2016 fiscal year has shown approximately the same enrollment as the first semester of the 2014-2015 fiscal year. Equipment funds from the 2014-2015 fiscal year to the 2015-2016 fiscal year will be carried forward. The continued flexibility to transfer equipment funds to operating funds aids the College in maintaining fiscal stability. Current projections are that the North Carolina Community College System can expect state funding reduction of two percent for fiscal year 2015-2016. The College will need to plan for adjustments in scheduling and operations to accommodate the expected funding reductions.

The College also began offering two new academic programs in the fall of 2015, EMS and Medical Office Administration. These programs will be beneficial for the citizens in our area and help to enhance our Business and Nursing departments. The College continues to focus on student retention and completion. The College implemented a new early advisement period in the fall 2015. This provided extra advisement for the students by separating the advisement and registration period.

With $765,803 in county appropriations, 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 several years ago of a library building have placed increased demands on the limited local funding.

Local capital funding has been inadequate over the past eight years. The 2014-2015 fiscal year did include county capital funding in the amount of $30,000 for campus renovation projects. 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 Sheila Dockery, Director of Budgeting, Bladen Community College, 7418 NC Highway 41W, Dublin, NC 28332, (910) 879-5503.

FINANCIAL STATEMENTS

Bladen Community College
Statement of Net Position
June 30, 2015 ***Exhibit A-1***

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	749,158.39
Restricted Cash and Cash Equivalents		240,800.18
Receivables, Net (Note 3)		412,748.50
Inventories		260,352.93
Total Current Assets		1,663,060.00
Noncurrent Assets:		
Restricted Due from Primary Government		18,900.00
Capital Assets - Nondepreciable (Note 4)		174,716.31
Capital Assets - Depreciable, Net (Note 4)		7,234,278.34
Total Noncurrent Assets		7,427,894.65
Total Assets		9,090,954.65
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		537,180.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		515,414.33
Unearned Revenue		43,285.54
Funds Held for Others		2,750.07
Long-Term Liabilities - Current Portion (Note 6)		40,675.92
Total Current Liabilities		602,125.86
Noncurrent Liabilities:		
Long-Term Liabilities (Note 6)		829,561.12
Total Noncurrent Liabilities		829,561.12
Total Liabilities		1,431,686.98
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		1,720,887.00
NET POSITION		
Investment in Capital Assets		7,408,994.65
Restricted for:		
Expendable:		
Scholarships and Fellowships		22,188.03
Capital Projects		12,271.31
Restricted for Specific Programs		121,639.04
Other		38,286.65
Unrestricted		(1,127,819.01)
Total Net Position	$	6,475,560.67

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, 2015

Exhibit A-2

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	$	744,705.00
Sales and Services, Net (Note 8)		275,036.24
Other Operating Revenues		40,539.51
Total Operating Revenues		1,060,280.75
EXPENSES		
Operating Expenses:		
Salaries and Benefits		8,875,184.94
Supplies and Materials		1,438,949.93
Services		981,504.10
Scholarships and Fellowships		1,859,809.83
Utilities		175,950.90
Depreciation		315,918.69
Total Operating Expenses		13,647,318.39
Operating Loss		(12,587,037.64)
NONOPERATING REVENUES (EXPENSES)		
State Aid		7,193,430.65
County Appropriations		765,803.00
Noncapital Grants - Student Financial Aid		3,989,306.08
Noncapital Grants		358,630.60
Noncapital Gifts		71.00
Other Nonoperating Expenses		(4,118.92)
Net Nonoperating Revenues		12,303,122.41
Loss Before Other Revenues		(283,915.23)
State Capital Aid		280,528.00
County Capital Aid		30,000.00
Capital Grants		43,600.00
Increase in Net Position		70,212.77
NET POSITION		
Net Position, July 1, 2014 as Restated (Note 14)		6,405,347.90
Net Position, June 30, 2015	$	6,475,560.67

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

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	932,340.11
Payments to Employees and Fringe Benefits		(9,124,518.02)
Payments to Vendors and Suppliers		(2,575,485.11)
Payments for Scholarships and Fellowships		(1,859,809.83)
Other Receipts		1,254.39
Net Cash Used by Operating Activities		(12,626,218.46)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		7,193,430.65
County Appropriations		765,803.00
Noncapital Grants - Student Financial Aid		3,989,306.08
Noncapital Grants		358,630.60
Noncapital Gifts		71.00
Cash Provided by Noncapital Financing Activities		12,307,241.33
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		284,078.22
County Capital Aid		30,000.00
Capital Grants		43,600.00
Acquisition of Capital Assets		(166,762.87)
Net Cash Provided by Capital and Related Financing Activities		190,915.35
Net Decrease in Cash and Cash Equivalents		(128,061.78)
Cash and Cash Equivalents, July 1, 2014		1,118,020.35
Cash and Cash Equivalents, June 30, 2015	$	989,958.57
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(12,587,037.64)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		315,918.69
Pension Expense		204,441.00
Nonoperating Other Expenses		(139.56)
Changes in Assets, Liabilities, and Deferred Outflows of Resources:		
Receivables, Net		(140,465.92)
Inventories		(868.86)
Accounts Payable and Accrued Liabilities		54,390.11
Unearned Revenue		15,901.06
Funds Held for Others		(1,521.33)
Deferred Outflows - Contributions After the Measurement Date		(535,335.00)
Compensated Absences		48,498.99
Net Cash Used by Operating Activities	$	(12,626,218.46)

Bladen Community College
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2015 — *Page 2 of 2*

RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current Assets:		
Cash and Cash Equivalents	$	749,158.39
Restricted Cash and Cash Equivalents		240,800.18
Total Cash and Cash Equivalents - June 30, 2015	$	989,958.57
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Loss on Disposal of Capital Assets	$	(3,979.36)

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, 2015 — *Exhibit B-1*

ASSETS		
Cash and Cash Equivalents	$	727,080
Other Assets		100
Fixed Assets, Net		10,000
Total Assets		737,180
LIABILITIES		
Accounts Payable		0
Total Liabilities		0
NET ASSETS		
Unrestricted		243,282
Temporarily Restricted		112,898
Permanently Restricted		381,000
Total Net Assets	$	737,180

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, 2015 *Exhibit B-2*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions	$ 13,136	$ 22,253	$ 30,000	$ 65,389
Fundraising	32,372			32,372
Net Assets Released from Restrictions	(236)	(19,764)	20,000	
Total Support	45,272	2,489	50,000	97,761
Interest and Dividends	2,095	1,080		3,175
Collection of Bad Debts		32,016		32,016
Total Revenue	2,095	33,096		35,191
Total Support and Revenue	47,367	35,585	50,000	132,952
Expenses:				
Program Expenses	30,810			30,810
Fundraising Expenses	4,373			4,373
General and Administrative Expenses	4,603			4,603
Total Expenses	39,786			39,786
Increase in Net Assets	7,581	35,585	50,000	93,166
Net Assets - Beginning of Year	235,701	77,313	331,000	644,014
Net Assets - End of Year	$ 243,282	$ 112,898	$ 381,000	$ 737,180

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Bladen Community College (College) is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. See below for further discussion of the College's component unit.

Discretely Presented Component Unit – Bladen Community College Foundation, Inc. (Foundation) is a legally separate, tax-exempt, nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to 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 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 nonprofit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2015, the Foundation distributed $29,950 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 and Administration at 7418 Highway 41 West, Dublin, NC 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.

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 in the following manner:

Asset Class	Estimated Useful Life
Buildings	10-100 years
Machinery & Equipment	2-30 years
General Infrastructure	10-75 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 for the acquisition or construction of capital assets, resources whose use is limited by external parties or statute.

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

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2014 *Comprehensive Annual Financial Report.* This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 10 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

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 December 31 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 Position** - The College's net position is classified as follows:

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

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

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

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

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, (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 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 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 $1,075.00, and deposits in private financial institutions with a carrying value of $988,883.57 and a bank balance of $1,441,441.92.

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, 2015, the College's bank balance in excess of federal depository insurance coverage was covered under pooling method.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 324,350.64	$ 118,399.78	$ 205,950.86
Student Sponsors	28,094.00		28,094.00
Accounts	178,703.64		178,703.64
Total Current Receivables	$ 531,148.28	$ 118,399.78	$ 412,748.50

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2015 is presented as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
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			174,716.31
Capital Assets, Depreciable:				
Buildings	11,233,849.31			11,233,849.31
Machinery and Equipment	1,451,871.64	166,762.87	79,468.22	1,539,166.29
General Infrastructure	818,740.06			818,740.06
Total Capital Assets, Depreciable	13,504,461.01	166,762.87	79,468.22	13,591,755.66
Less Accumulated Depreciation for:				
Buildings	5,193,210.37	216,849.24		5,410,059.61
Machinery and Equipment	471,017.66	83,714.37	75,488.86	479,243.17
General Infrastructure	452,819.46	15,355.08		468,174.54
Total Accumulated Depreciation	6,117,047.49	315,918.69	75,488.86	6,357,477.32
Total Capital Assets, Depreciable, Net	7,387,413.52	(149,155.82)	3,979.36	7,234,278.34
Capital Assets, Net	$ 7,562,129.83	$ (149,155.82)	$ 3,979.36	$ 7,408,994.65

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2015, were as follows:

	Amount
Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 44,011.02
Accrued Payroll	462,494.29
Other	8,909.02
Total Accounts Payable and Accrued Liabilities	$ 515,414.33

NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2015, is presented as follows:

	Balance July 1, 2014 (As Restated)	Additions	Reductions	Balance June 30, 2015	Current Portion
Net Pension Liability	$ 2,531,615.00	$ 0.00	$ 2,055,143.00	$ 476,472.00	$ 0.00
Compensated Absences	345,266.05	258,673.28	210,174.29	393,765.04	40,675.92
Total Long-Term Liabilities	$ 2,876,881.05	$ 258,673.28	$ 2,265,317.29	$ 870,237.04	$ 40,675.92

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

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, 2015:

Fiscal Year	Amount
2016	$ 53,924.64
2017	29,958.50
Total Minimum Lease Payments	$ 83,883.14

Rental expense for all operating leases during the year was $57,794.43.

NOTE 8 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 2,179,091.90	$ 0.00	$ 1,455,303.58	$ (20,916.68)	$ 744,705.00
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Vending	$ 7,970.43	$ 0.00	$ 0.00	$ 0.00	$ 7,970.43
Bookstore	917,499.65	3,358.56	684,515.28		229,625.81
Other-Rent	37,440.00				37,440.00
Total Sales and Services	$ 962,910.08	$ 3,358.56	$ 684,515.28	$ 0.00	$ 275,036.24

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	$ 5,281,240.05	$ 375,091.07	$ 186,874.19	$ 0.00	$ 4,365.33	$ 0.00	$ 5,847,570.64
Academic Support	857,177.51	34,081.75	14,304.16				905,563.42
Student Services	732,662.29	20,441.08	40,930.89	24,182.00			818,216.26
Institutional Support	1,162,936.53	129,514.42	488,194.07	5,000.00			1,785,645.02
Operations and Maintenance of Plant	356,891.05	77,903.62	107,217.02		171,585.57		713,597.26
Student Financial Aid	214,457.05	711.50	48,323.25	1,830,627.83			2,094,119.63
Auxiliary Enterprises	65,379.46	801,206.49	95,660.52				962,246.47
Depreciation						315,918.69	315,918.69
Pension Expense	204,441.00						204,441.00
Total Operating Expenses	$ 8,875,184.94	$ 1,438,949.93	$ 981,504.10	$ 1,859,809.83	$ 175,950.90	$ 315,918.69	$ 13,647,318.39

NOTE 10 - PENSION PLAN

Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2015 was 9.15% of covered payroll. The College's contributions to the pension plan were $535,335.48, and employee contributions were $351,039.65 for the year ended June 30, 2015.

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2014 *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.

TSERS Basis of Accounting: The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan's fiduciary net position was determined on the same basis used by the pension plan.

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2014 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2015, the College reported a liability of $476,472.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the College's proportion was .04064%, which was a decrease of 2.54% from its proportion measured as of June 30, 2013.

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2013
Inflation	3%
Salary Increases*	4.25% - 9.10%
Investment Rate of Return**	7.25%

* Salary increases include 3.5% inflation and productivity factor.
** Investment rate of return is net of pension plan investment expense, including inflation.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuations were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc Cost of Living Adjustment (COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.5%
Global Equity	6.1%
Real Estate	5.7%
Alternatives	10.5%
Credit	6.8%
Inflation Protection	3.7%

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset, liability and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%)

or 1-percentage point higher (8.25%) than the current rate (dollars in thousands):

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate	1% Increase (8.25%)
$ 3,420,446.00	$ 476,472.00	$ (2,009,285.00)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2015, the College recognized pension expense of $204,441.00. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	$ 0.00	$ 111,063.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		1,609,824.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	1,845.00	
Contributions Subsequent to the Measurement Date	535,335.00	
Total	$ 537,180.00	$ 1,720,887.00

$535,335.00 of the amount reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in Pension Expense:

Year ended June 30:	Amount
2016	$ (431,273.00)
2017	(431,273.00)
2018	(431,273.00)
2019	(425,223.00)
Total	$ (1,719,042.00)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

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

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

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

For the current fiscal year the College contributed 5.49% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2014, and 2013, were 5.4% and 5.3%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, which were $321,201.28, $335,894.43, and $344,052.95, 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 TSERS. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General

Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2015, the College made a statutory contribution of .41% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2014, and 2013, were .44% in both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2015, 2014, and 2013, which were $23,987.71, $27,369.18, and $28,562.89, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 12 - RISK MANAGEMENT

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

A. Public Entity Risk Pool

Public School Insurance Fund

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

B. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

C. Other Risk Management and Insurance Activities

1. Automobile Insurance

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

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $75,000 deductible. Losses for employees paid from county and institutional funds are covered under a private insurance policy.

4. Statewide Workers' Compensation Program

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

Additional details on the state-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

NOTE 13 - COMMITMENTS 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, 2015.

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 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.

NOTE 14 - Net Position Restatement

As of July 1, 2014, net position as previously reported was restated as follows:

	Amount
July 1, 2014 Net Position as Previously Reported	$ 8,396,420.90
Restatement:	
Record the College's Net Pension Liability and Pension Related Deferred Outflows of Resources Per GASB 68 Requirements	(1,991,073.00)
July 1, 2014 Net Position as Restated	$ 6,405,347.90

REQUIRED SUPPLEMENTARY INFORMATION

Bladen Community College
Required Supplementary Information
Schedule of the Proportionate Net Pension Liability
Teachers' and State Employees' Retirement System
Last Two Fiscal Years

Exhibit C-1

	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	0.04064%	0.04170%
Proportionate Share of TSERS Collective Net Pension Liability	$ 476,472.00	$ 2,531,615.00
Covered-Employee Payroll	$ 6,220,267.29	$ 6,491,565.02
Net Pension Liability as a Percentage of Covered-Employee Payroll	7.66%	39.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

Bladen Community College
Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years

Exhibit C-2

	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 535,335.48	$ 540,541.23	$ 540,747.37	$ 451,101.87	$ 289,031.59
Contributions in Relation to the Contractually Determined Contribution	535,335.48	540,541.23	540,747.37	451,101.87	289,031.59
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 5,850,660.99	$ 6,220,267.29	$ 6,491,565.02	$ 6,063,196.00	$ 5,862,709.68
Contributions as a Percentage of Covered-Employee Payroll	9.15%	8.69%	8.33%	7.44%	4.93%

	2010	2009	2008	2007	2006
Contractually Required Contribution	$ 194,767.29	$ 203,783.55	$ 162,135.75	$ 152,456.55	$ 120,874.26
Contributions in Relation to the Contractually Determined Contribution	194,767.29	203,783.55	162,135.75	152,456.55	120,874.26
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 5,455,666.28	$ 6,064,985.00	$ 5,315,926.12	$ 5,731,447.00	$ 5,165,566.37
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

Bladen Community College
Notes to the Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
For the Fiscal Year Ended June 30, 2015

Changes of Benefit Terms:

Cost of Living Increase

2014	2013	2012	2011	2010	2009	2008	2007	2006
N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

Changes of assumptions. In 2008, and again in 2012, the rates of withdrawal, mortality, service retirement and salary increase for active members and the rates of mortality for beneficiaries were adjusted to more closely reflect actual experience. Assumptions for leave conversions and loads were also revised in 2012.

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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

Board of Trustees
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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 22, 2016. Our report includes a reference to other auditors who audited the financial statements of Bladen Community College Foundation, Inc., as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of 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 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 22, 2016

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For additional information contact:
Bill Holmes
Director of External Affairs
919-807-7513

NC OSA
The Taxpayers' Watchdog

This audit required 296 audit hours at an approximate cost of $29,304.