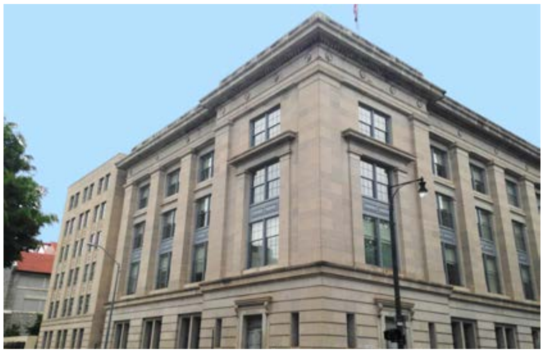
State of North Carolina

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, 2017

A Component Unit of the State of North Carolina

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
http://www.ncauditor.net

AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Trustees, Bladen Community College

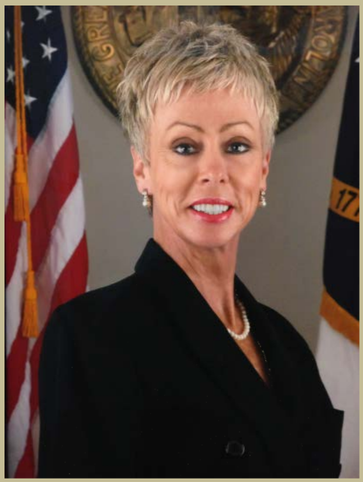
We have completed a financial statement audit of Bladen Community College for the year ended June 30, 2017, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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.

Beth A. Wood

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
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 (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, 2017, 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 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, 2017, 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.

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 6, 2018 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 6, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The information in this section will provide an overview of Bladen Community College's (College) basic financial statements for the fiscal year ended June 30, 2017, with comparative data for the fiscal year ended June 30, 2016. The overview 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 the related notes to the financial statements. The College understands the responsibility for the completeness and fairness of this information rests with the College.

Overview of the Financial Statements

This annual report consists of three statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. These financial statements are 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.* These statements offer short-term and long-term financial information about the College's activities. 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 assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Statement of Net Position is presented in a classified format and is classified by current and noncurrent. Over time, increases and decreases in net position are an 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 the sources from which the College received cash and uses for which the cash was spent. The activity includes 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 the Financial Statements provide additional information that is essential to a full understanding of the data provided.

Financial Highlights

Similar to previous years, the state funding allocation of $7,887,500 was the College's primary source of nonoperating revenue in fiscal year 2016-2017.

During the 2015-2016 fiscal year, Bladen County high school students had the opportunity to earn college credits through the News Schools NC IRIS (North Carolina Investing in Innovative Schools) project. The NC IRIS program provided tuition funding for high school students, which brought additional revenues to the College. Funding for the NC IRIS program ended during the 2015-2016 fiscal year. To continue serving high school students and to maintain consistent FTE funding, the College continued to provide high school students the opportunity to take college courses through the Career and College Promise Program (CCPP). The CCPP program provides seamless dual enrollment educational opportunities tuition free for eligible North Carolina high school students, allowing them to accelerate completion of college certificates, diplomas, and associate degrees that lead to college transfer or provide entry-level job skills. High school students provided the College approximately 20% of its actual enrollment and FTE funding during the 2016-2017 fiscal year. As a result of the loss of the NC IRIS program providing tuition funding and the increased participation in the CCPP program with no tuition funding, operating revenue, specifically, net tuition and fees for the 2016-2017 fiscal year decreased $413,701.

The College is in the design phase of constructing two buildings: a Continuing Education building and a Science, Technology, Engineering and Math (STEM) building.

The Continuing Education building is funded by the 2016 ConnectNC Bond fund, and it is expected to cost approximately $6,415,000, with approximately 19,500 square feet. The College has a design contract with LS3P Associates for the construction of the building. The Continuing Education building will include faculty and staff offices, classrooms, two laboratories, a teaching auditorium, a conference room and other instructional support spaces. The College expects to begin construction of the Continuing Education Building during the 2017-2018 fiscal year.

Also, the College is in the process of building a new STEM building, which is funded in part by the Economic Development Administration (EDA) in the amount of $1,300,000, Golden LEAF foundation in the amount of $500,000, county funding of $10,000, and donations in the amount of $10,000. The College will also use $75,000 of the remaining 2016 ConnectNC bond funds for the construction of this building. A design contract for the construction of the STEM building has been obtained, and the building will be a new 9,500 square foot center for training workers in Science, Technology, Engineering, and Math. These skills are lacking in the Bladen County region, and are needed to both improve skills of existing workers and to enhance industrial recruitment to the area. The College expects to begin construction of the STEM building during the 2017-2018 fiscal year.

Condensed Statement of Net Position

Below is a condensed comparative analysis between the Statement of Net Position for the fiscal year ended June 30, 2017 and the prior fiscal year.

Condensed Statement of Net Position

Assets	June 30, 2017	June 30, 2016 (Restated)	Increase (Decrease)	Percent Change
Current Assets	$ 3,549,135	$ 3,687,937	$ (138,802)	-3.76%
Noncurrent Assets:				
Capital Assets, Net of Depreciation	8,099,651	8,154,538	(54,887)	-0.67%
Other	6,283	18,901	(12,618)	-66.76%
Total Assets	11,655,069	11,861,376	(206,307)	-1.74%
Deferred Outflows of Resources	2,221,731	517,033	1,704,698	329.71%
Liabilities				
Current Liabilities	589,215	575,062	14,153	2.46%
Long-Term Liabilities	3,578,012	1,715,787	1,862,225	108.53%
Total Liabilities	4,167,227	2,290,849	1,876,378	81.91%
Deferred Inflows of Resources	243,352	391,302	(147,950)	-37.81%
Net Position				
Investment in Capital Assets	8,099,651	8,154,538	(54,887)	-0.67%
Restricted	2,132,764	1,984,400	148,364	7.48%
Unrestricted	(766,194)	(442,680)	(323,514)	73.08%
Total Net Position	$ 9,466,221	$ 9,696,258	$ (230,037)	-2.37%

The Statement of Net Position presents a fiscal snapshot of BCC's financial position as of June 30, 2017. Net position, which represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, decreased $230,037 from the previous fiscal year.

Assets

Current assets include cash, receivables, and inventories. Total current assets decreased $138,802 when compared to prior fiscal year. The majority of this decrease is attributable to a decrease in student receivables of $248,478 which was offset by an increase in current cash and cash equivalents of $149,589.

Deferred Outflows of Resources

Under the GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the College recorded deferred outflows related to pensions in the amount of $2,221,731. This amount represents pension contributions subsequent to the measurement date, as well as changes between the College's contributions and proportionate share of pension contributions. Deferred outflows of resources related to pensions increased by $1.7 million in the current year. Since the College's retirement system is an employer cost sharing plan, each member must report it's pro rata share of the pension plan's net pension liability. During fiscal year 2017, retirement system earnings were down sharply, and benefit payments were up moderately. See Note 11 for more information.

Liabilities

Current liabilities are considered to be paid within a one year period, and the College's current liabilities include accounts payable, unearned revenue, funds held for others and the current portion of long term liabilities. Noncurrent liabilities are related to payables which extend beyond a year. These include the noncurrent portion of accrued employee annual leave, calculated using current salary rates for each employee. Net Pension Liability (NPL) is also included in the long term liability balance. The NPL represents the College's proportionate share of the collective net pension liability of the Teachers' and State Employees' Retirement System (TSERS) and the increase of $1,849,800 was the primary reason for the $1,862,225 increase in noncurrent liabilities.

Deferred Inflows of Resources

Deferred inflows of resources decreased $147,950 in the current year, which is primarily due to differences between actuarial calculations of projected investment earnings in regards to actual earnings. The College is a participant in the cost sharing pension plan; therefore, the College shares the loss on the decrease in market value of investments. See Note 11 for more information related to TSERS.

Net Position

Net Position results from adding the College's assets and deferred outflows of resources, then subtracting all liabilities and deferred inflows of resources. For reporting purposes, net position is separated into three categories: Investment in Capital Assets, Restricted – Expendable, and Unrestricted. Investment in Capital Assets is the amount of net position attributable to capital assets, net of depreciation. The restricted net position amount includes limited use resources of the College per the direction of the external party who imposed the spending restrictions. Unrestricted funds includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and other miscellaneous unrestricted income. Overall, net position decreased from the prior fiscal year by $230,037.

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 use state and county funds to upgrade and replace computer technology on campus and purchase a new vehicle. Construction in progress increased $191,425 due to design fees incurred related to the construction projects discussed in the financial highlight section above. The July 1, 2016 capital asset balance was restated to reflect corrections to the estimated useful life of certain assets. See Note 16 for more information on the restatement.

	June 30, 2017	June 30, 2016 (Restated)	Increase (Decrease)	Percent Change
Capital Assets:				
Land	$ 78,163	$ 78,163	$ 0	0.00%
Construction in Progress	294,895	103,470	191,425	185.01%
Buildings	11,236,251	11,236,251		
Machinery and Equipment	776,215	776,215		
General Infrastructure	1,703,032	1,687,637	15,395	0.91%
Total	14,088,556	13,881,736	206,820	1.49%
Less: Accumulated Depreciation	5,988,905	5,727,198	261,707	4.57%
Net Capital Assets	$ 8,099,651	$ 8,154,538	$ (54,887)	-0.67%

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, 2017	June 30, 2016 (Restated)	Change	Percent Change
Operating Revenues:				
Student Tuition and Fees, Net	$ 498,509	$ 912,210	$ (413,701)	-45.35%
Sales and Services, Net	200,031	290,035	(90,004)	-31.03%
Other Operating Revenues	51,119	32,025	19,094	59.62%
Total Operating Revenues	749,659	1,234,270	(484,611)	-39.26%
Operating Expenses:				
Salaries and Benefits	9,403,546	8,655,032	748,514	8.65%
Supplies and Materials	1,392,935	1,237,741	155,194	12.54%
Services	1,026,231	1,091,120	(64,889)	-5.95%
Scholarships and Fellowships	1,443,501	1,619,127	(175,626)	-10.85%
Utilities	166,052	162,035	4,017	2.48%
Depreciation	311,965	312,261	(296)	-0.09%
Total Operating Expenses	13,744,230	13,077,316	666,914	5.10%
Operating Loss	(12,994,571)	(11,843,046)	(1,151,525)	9.72%
Nonoperating Revenues:				
State Aid	7,766,139	7,154,678	611,461	8.55%
County Appropriations	914,409	803,641	110,768	13.78%
Noncapital Grants	3,941,033	4,027,673	(86,640)	-2.15%
Other Nonoperating Revenues	(7,506)	(7,478)	(28)	-0.37%
Nonoperating Revenues	12,614,075	11,978,514	635,561	5.31%
Other Revenues:				
State Capital Aid	121,361	232,048	(110,687)	-47.70%
County Capital Aid		89,624	(89,624)	-100.00%
Capital Grants	29,098	1,831,500	(1,802,402)	-98.41%
Total Other Revenues	150,459	2,153,172	(2,002,713)	-93.01%
Increase (Decrease) in Net Position	(230,037)	2,288,640	(2,518,677)	-110.05%
Net Position - Beginning of Year	8,764,201	6,830,112	1,934,089	28.32%
Restatement	932,057	(354,551)	1,286,608	-362.88%
Net Position - End of Year	$ 9,466,221	$ 8,764,201	$ 702,020	8.01%
Reconciliation of Change in Net Position				
Total Revenues	$ 13,521,699	$ 15,373,434	$ (1,851,735)	-12.05%
Less: Total Expenses	13,751,736	13,084,794	666,942	5.10%
Increase (Decrease) in Net Position	$ (230,037)	$ 2,288,640	$ (2,518,677)	-110.05%

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

This statement shows the revenues and expenses for fiscal year 2017, which make up the change in net position. The expenses are used to produce our goods and provide services in return for operating revenues. Nonoperating revenues are also included in this section for areas where good and services are not provided. The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position of $230,036 from prior year. Some highlights of the changes are as follows:

- Operating revenues decreased by $484,611 (39.26%) due to a decline in student enrollment thus decreased tuition and fees of $413,701. Therefore, sales and services decreased $90,004 (i.e., fewer students, less books sold).

- Operating expenses increased $666,914 (5.10%) due primarily to an increase in salaries and benefits expense of $748,514 which related to a 1.5% raise and a one-time bonus for all employees. This increase was offset by a $175,626 decrease in scholarships and fellowships expense due to a decrease in enrollment which resulted in less Pell and financial aid awards when compared to the prior year.
- Nonoperating revenues decreased $635,561 primarily due to a decrease of $611,461 of state aid revenue as a result of the decrease in students noted above.
- Other revenues decreased $2,002,713 (362.88%) when compared with the prior year due primarily to the fact that the College received one-time capital grants of $1,831,500 2015-2016 fiscal year from the Economic Development Association and Golden Leaf.

Economic Outlook and Effects on Financial Reporting

Bladen Community College's enrollment FTE has historically correlated with increases and decreases in the area's unemployment rate. The College currently realizes a slight budget FTE decrease in fiscal year 2017-2018 of 0.5% from the 2016-2017 fiscal year. All other North Carolina Community Colleges, on the other hand, showed a slight increase in budget FTE for fiscal year 2017-2018 of approximately 0.5% over the 2016-2017 fiscal year. The economy of the United States and North Carolina continued to feel the nation's recession during the 2016-2017 fiscal year.

As of June 30, 2017, unemployment in Bladen County was 5.7%, 1.5% higher than the State of North Carolina's unemployment percentage of 4.2%. 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.

During the 2015-2016 fiscal year, the citizens of North Carolina passed the ConnectNC Bond that resulted in a future allocation of $6,533,125 million in bond funds to Bladen Community College for renovations and construction. This will provide a tremendous growth opportunity for the College. The College will use the majority of the funds for a Continuing Education building and a small portion for a new STEM building to help provide growth in the technology and healthcare fields. The College's enrollment outlook for FY 2017-2018 appears to be stabilizing with enrollment leveling at approximately the same as FY 2016-2017. The first semester of the 2017-2018 fiscal year has shown approximately the same enrollment as the first semester of the 2016-2017 fiscal year. Equipment funds from the 2016-2017 fiscal year will be carried forward to the 2017-2018. Current projections are that the Community College System can expect state funding reduction of two percent for fiscal year 2017-2018. The College will need to plan for adjustments in scheduling and operations to accommodate the expected funding reductions.

With $914,409 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, repair of aging facilities, and the increased cost of maintenance repair materials have placed increased demands on the limited local funding.

Local capital funding has been inadequate over the past nine years. The 2016-2017 fiscal year did not include county capital funding for much needed campus renovation projects. However, Bladen County has allocated the College $407,000 during the 2017-2018 fiscal year for auditorium roof and restroom renovations. The College is hopeful that capital funding will remain a top priority and county capital funding will continue as the economy improves over time.

The College offered two new curriculum programs in 2016. These programs continued to grow and proved to be successful in the 2016-2017 fiscal year. The Nursing program has offered a bridge program from Continuing Education to Curriculum. The bridge program enables PN (Practical Nursing) students to bridge to the Associate Degree in Nursing (AND) program. There is also a transition program from (Licensed Practical Nurse) LPN to Registered Nurse (RN). These programs offer a great opportunity for students planning to enter the healthcare field in the county and surrounding areas.

Request of Information

This information is designed to provide a general overview of Bladen Community College's finances. Questions concerning any of this information should be addressed to Lacie Jacobs, Controller, Bladen Community College, 7418 NC Highway 41W, Dublin, NC 28332, (910) 879-5505.

FINANCIAL STATEMENTS

Bladen Community College
Statement of Net Position — *Exhibit A-1*
June 30, 2017 — *Page 1 of 2*

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	747,822.08
Restricted Cash and Cash Equivalents		345,343.46
Receivables, Net (Note 4)		1,599,863.07
Due from State of North Carolina Component Unit		500,000.00
Inventories		356,106.33
Total Current Assets		3,549,134.94
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		6,283.16
Capital Assets - Nondepreciable (Note 5)		373,058.19
Capital Assets - Depreciable, Net (Note 5)		7,726,592.88
Total Noncurrent Assets		8,105,934.23
Total Assets		11,655,069.17
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		2,221,731.00

LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	493,264.10
Unearned Revenue	54,462.47
Long-Term Liabilities - Current Portion (Note 7)	41,487.91
Total Current Liabilities	589,214.48
Noncurrent Liabilities:	
Long-Term Liabilities (Note 7)	3,578,012.24
Total Noncurrent Liabilities	3,578,012.24
Total Liabilities	4,167,226.72
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	243,352.00
NET POSITION	
Investment in Capital Assets	8,099,651.07
Restricted for:	
Expendable:	
Scholarships and Fellowships	6,126.58
Capital Projects	1,781,137.80
Restricted for Specific Programs	33,448.83
Other	312,051.23
Unrestricted	(766,194.06)
Total Net Position	$ 9,466,221.45

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, 2017 — *Exhibit A-2*

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 9)	$	498,509.49
Sales and Services, Net (Note 9)		200,031.24
Other Operating Revenues		51,118.70
Total Operating Revenues		749,659.43
EXPENSES		
Operating Expenses:		
Salaries and Benefits		9,403,545.69
Supplies and Materials		1,392,934.77
Services		1,026,230.92
Scholarships and Fellowships		1,443,500.61
Utilities		166,051.23
Depreciation		311,965.87
Total Operating Expenses		13,744,229.09
Operating Loss		(12,994,569.66)
NONOPERATING REVENUES (EXPENSES)		
State Aid		7,766,139.25
County Appropriations		914,409.00
Noncapital Grants - Federal Student Financial Aid		3,037,636.02
Noncapital Grants		903,396.71
Other Nonoperating Expenses		(7,506.21)
Net Nonoperating Revenues		12,614,074.77
Loss Before Other Revenues, Expenses, Gains, and Losses		(380,494.89)
State Capital Aid		121,360.63
Capital Grants		29,097.68
Decrease in Net Position		(230,036.58)
NET POSITION		
Net Position, July 1, 2016 as Restated (Note 16)		9,696,258.03
Net Position, June 30, 2017	$	9,466,221.45

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 827,500.26
Payments to Employees and Fringe Benefits	(9,393,674.61)
Payments to Vendors and Suppliers	(2,552,841.20)
Payments for Scholarships and Fellowships	(1,443,500.61)
Other Receipts	190,718.72
Net Cash Used by Operating Activities	(12,371,797.44)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	7,766,139.25
County Appropriations	914,409.00
Noncapital Grants - Federal Student Financial Aid	3,032,889.70
Noncapital Grants	927,676.71
Cash Provided by Noncapital Financing Activities	12,641,114.66
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	121,360.63
Capital Grants	29,097.68
Acquisition and Construction of Capital Assets	(263,903.47)
Net Cash Used by Capital and Related Financing Activities	(113,445.16)
Net Increase in Cash and Cash Equivalents	155,872.06
Cash and Cash Equivalents, July 1, 2016	943,576.64
Cash and Cash Equivalents, June 30, 2017	$ 1,099,448.70

Bladen Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(12,994,569.66)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation		311,965.87
Nonoperating Expenses		(681.50)
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		265,246.92
Inventories		22,510.60
Deferred Outflows for Pensions		(1,704,698.00)
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		9,966.74
Unearned Revenue		4,803.22
Net Pension Liability		1,849,800.00
Funds Held for Others		(809.09)
Deferred Inflows for Pensions		(147,950.00)
Compensated Absences		12,617.46
Net Cash Used by Operating Activities	$	(12,371,797.44)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	747,822.08
Restricted Cash and Cash Equivalents		345,343.46
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		6,283.16
Total Cash and Cash Equivalents - June 30, 2017	$	1,099,448.70

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	$	123,366.32
Loss on Disposal of Capital Assets		(6,824.71)

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, 2017 — *Exhibit B-1*

ASSETS		
Cash and Cash Equivalents	$	112,147
Investments		722,705
Other Assets		100
Fixed Assets, Net		10,000
Total Assets		844,952
LIABILITIES		
Total Liabilities		0
NET ASSETS		
Unrestricted		299,427
Temporarily Restricted		164,525
Permanently Restricted		381,000
Total Net Assets		844,952
Total Liabilities and Net Assets	$	844,952

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, 2017 — *Exhibit B-2*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Contributions	$ 12,649	$ 18,095	$ 0	$ 30,744
Fundraising	24,935			24,935
Net Assets Released from Restrictions	39,384	(39,384)		
Total Support	76,968	(21,289)		55,679
Interest and Dividends	243	794		1,037
Gain on Investments	20,496	67,056		87,552
Total Revenue	20,739	67,850		88,589
Total Support and Revenue	97,707	46,561		144,268
Expenses:				
Program Expenses	39,076			39,076
Fundraising Expenses	9,586			9,586
General and Administrative Expenses	4,317			4,317
Total Expenses	52,979			52,979
Increase in Net Assets	44,728	46,561		91,289
Net Assets at Beginning of Year	254,699	117,964	381,000	753,663
Net Assets at End of Year	$ 299,427	$ 164,525	$ 381,000	$ 844,952

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

Notes to the Financial Statement

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. 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 of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. See below for further discussion of the College's component unit. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

Discretely Presented Component Unit – Bladen Community College Foundation, Inc. (Foundation) is a legally separate, 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 fundraising 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 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, 2017, the Foundation distributed $30,750 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from 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 aid, 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, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. 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 acquisition 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 over the estimated useful lives of the assets in the following manner:

Asset Class	Estimated Useful Life
Buildings	10-100 years
Machinery and 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 and 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 2016 *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 11 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows of resources and deferred inflows of resources 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 December 31 plus the leave earned, less the leave taken between January 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. **Deferred Outflows/Inflows of Resources** – In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows for pensions qualifies for reporting in this category.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until then. Deferred inflows for pensions qualifies for reporting in this category.

L. **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 of resources and deferred inflows of resources.

M. **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.

N. **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.

O. **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.

P. **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 AND INVESTMENTS

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. Cash on hand at June 30, 2017 was $1,075.00. The carrying amount of the College's deposits not with the State Treasurer was $1,098,373.70, and the bank balance was $1,275,855.72.

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, 2017, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

Component Unit - Investments of the College's discretely presented component unit, the Foundation, are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

Investment	Amount
Cash, Money Market Held in Brokerage Accounts	$ 16,255.01
Investment in Stocks	242,012.04
Investment in ETFs & CEFs	147,692.18
Investment in Mutual Funds	318,176.46
Net Unsettled Purchases/Sales	(1,429.78)
Total	$ 722,705.91

NOTE 3 - FAIR VALUE MEASUREMENTS

Component Unit - The Foundation's carrying amount of cash approximates fair value due to the short maturity of the financial instruments. The carrying value of short and long-term debt approximates fair value because those financial instruments bear interest at rates that approximate current market rates for loans with similar maturities and credit quality.

Assets measured at fair value on the recurring basis as of June 30, 2017 were as follows:

	Fair Value	Level 1 Inputs
Cash/Monkey Market Held in Brokerage Accounts	$ 16,255.01	$ 16,255.01
Investment in Stocks	242,012.04	242,012.04
Investment in ETFs & CEFs	147,692.18	147,692.18
Investment in Mutual Funds	318,176.46	318,176.46
Net Unsettled Purchases/Sales	(1,429.78)	(1,429.78)
Total	$ 722,705.91	$ 722,705.91

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 239,866.79	$ 142,736.44	$ 97,130.35
Student Sponsors	38,262.93		38,262.93
Accounts	120,414.65		120,414.65
Intergovernmental	1,344,055.14		1,344,055.14
Total Current Receivables	$ 1,742,599.51	$ 142,736.44	$ 1,599,863.07

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2017, is presented as follows:

	Balance July 1, 2016 (as Restated)	Increases	Decreases	Balance June 30, 2017
Capital Assets, Nondepreciable:				
Land	$ 78,163.55	$ 0.00	$ 0.00	$ 78,163.55
Construction in Progress	103,469.60	191,425.04		294,894.64
Total Capital Assets, Nondepreciable	181,633.15	191,425.04		373,058.19
Capital Assets, Depreciable:				
Buildings	11,236,250.73			11,236,250.73
Machinery and Equipment	1,687,636.93	72,478.43	57,083.02	1,703,032.34
General Infrastructure	776,215.06			776,215.06
Total Capital Assets, Depreciable	13,700,102.72	72,478.43	57,083.02	13,715,498.13
Less Accumulated Depreciation for:				
Buildings	4,826,222.80	205,829.12		5,032,051.92
Machinery and Equipment	543,430.19	86,794.97	50,258.31	579,966.85
General Infrastructure	357,544.70	19,341.78		376,886.48
Total Accumulated Depreciation	5,727,197.69	311,965.87	50,258.31	5,988,905.25
Total Capital Assets, Depreciable, Net	7,972,905.03	(239,487.44)	6,824.71	7,726,592.88
Capital Assets, Net	$ 8,154,538.18	$ (48,062.40)	$ 6,824.71	$ 8,099,651.07

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2017, were as follows:

	Amount
Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 37,169.86
Accrued Payroll	456,094.24
Total Accounts Payable and Accrued Liabilities	$ 493,264.10

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2017, is presented as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Net Pension Liability	$ 1,382,686.00	$ 1,849,800.00	$ 0.00	$ 3,232,486.00	$ 0.00
Compensated Absences	374,396.69	218,359.62	205,742.16	387,014.15	41,487.91
Total Long-Term Liabilities	$ 1,757,082.69	$ 2,068,159.62	$ 205,742.16	$ 3,619,500.15	$ 41,487.91

Additional information regarding the net pension liability is included in Note 11.

NOTE 8 - 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, 2017:

Fiscal Year	Amount
2018	$ 64,350.84
2019	61,350.84
2020	38,900.56
Total Minimum Lease Payments	$ 164,602.24

Rental expense for all operating leases during the year was $57,871.85.

NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees, Net	$ 1,760,888.63	$ 0.00	$ 1,242,227.88	$ 20,151.26	$ 498,509.49
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Vending	$ 6,382.46	$ 0.00	$ 0.00	$ 0.00	$ 6,382.46
Patron Fees	4,500.38				4,500.38
Bookstore	715,388.51	3,800.01	545,500.10		166,088.40
Other - Rent	23,060.00				23,060.00
Total Sales and Services, Net	$ 749,331.35	$ 3,800.01	$ 545,500.10	$ 0.00	$ 200,031.24

NOTE 10 - 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	$ 5,347,953.40	$ 253,795.07	$ 209,618.57	$ 0.00	$ 0.00	$ 0.00	$ 5,811,367.04
Academic Support	900,017.33	36,671.13	12,924.55				949,613.01
Student Services	721,308.81	105,925.42	62,734.67	24,087.00			914,055.90
Institutional Support	1,793,923.83	114,059.83	488,439.39	5,000.00			2,401,423.05
Operations and Maintenance of Plant	357,805.81	116,330.64	140,439.21		166,051.23		780,626.89
Student Financial Aid	211,133.12	114.80	85,826.37	1,414,413.61			1,711,487.90
Auxiliary Enterprises	71,403.39	766,037.88	26,248.16				863,689.43
Depreciation						311,965.87	311,965.87
Total Operating Expenses	$ 9,403,545.69	$ 1,392,934.77	$ 1,026,230.92	$ 1,443,500.61	$ 166,051.23	$ 311,965.87	$ 13,744,229.09

NOTE 11 - PENSION PLANS

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 pension 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 that elect to join the Retirement System. 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 annual pay. The contribution rate for employers is set each year by the North Carolina 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, 2017 was 9.98% of covered payroll. Employee contributions to the pension plan were $355,514.64, and the College's contributions were $591,338.29 for the year ended June 30, 2017.

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 2016 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at http://www.osc.nc.gov/ 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 Fixed Income Asset Class includes the Long-Term Investment and External Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. 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 2016 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2017, the College reported a liability of $3,232,486.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, and update procedures were used to roll forward the total pension liability to June 30, 2016. 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, 2016, the College's proportion was 0.03517%, which was an decrease of 0.00233 from its proportion measured as of June 30, 2015.

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	12/31/2015
Inflation	3%
Salary Increases*	3.50% - 8.10%
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, 2015 valuations were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2016 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Credit	6.0%
Inflation Protection	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability and investment policy of 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 3.05%. Return projections do not include any excess return expectations over benchmark averages. 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 at June 30, 2016 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:

Net Pension Liability		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 6,079,682.00	$ 3,232,486.00	$ 838,385.00

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2017, the College recognized pension expense of $587,944.00. At June 30, 2017, 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	$ 152,772.00
Changes of Assumptions	476,713.71	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,152,808.00	
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	871.00	90,580.00
Contributions Subsequent to the Measurement Date	591,338.29	
Total	$ 2,221,731.00	$ 243,352.00

The amount of $591,338.29 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, 2018. 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
2018	$ 214,347.00
2019	219,572.00
2020	604,890.00
2021	348,231.00
Total	$ 1,387,040.00

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

A. Health Benefits - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System (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 period July 1, 2016 through December 31, 2016, the College contributed 5.60% of the covered payroll under TSERS to the Fund, and for the period January 1, 2017 through June 30, 2017, the College contributed 6.02% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2016, and 2015, were 5.60% and 5.49%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2017, 2016, and 2015, which were $356,699.05, $315,674.23, and $321,201.28, 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 on the North Carolina Office of the State Controller's website at http://www.osc.nc.gov/ 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, 2017, the College made a statutory contribution of .38% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2016, and 2015, were

.41% in both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2017, 2016, and 2015, which were $22,515.89, $23,106.71, and $23,987.71, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 13 - RISK MANAGEMENT

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

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 $100,000 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 14 - COMMITMENTS AND CONTINGENCIES

A. Commitments - The College has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were $8,055,105.00 at June 30, 2017.

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 15 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2017, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

GASB Statement No. 82, *Pension Issues – An amendment of GASB Statement No. 67, No. 68, and No. 73*

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions,* as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans,* and Statement 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 74 establishes new accounting and financial reporting requirements for defined benefit other post employment benefit (OPEB) plans that replaces Statements No. 43, *Financial Reporting for Postemployment*

Benefit Plans Other Than Pension Plans, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria.

GASB Statement No. 78 amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB Statement No. 82 addresses certain issues with respect to Statements No. 67, *Financial Reporting for Pension Plans* , No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

NOTE 16 - NET POSITION RESTATEMENT

As of July 1, 2016, net position as previously reported was restated as follows: The beginning accumulated depreciation balance for capital assets was restated as a result of corrections to the estimated useful lives of certain capital assets.

	Amount
July 1, 2016 Net Position as Previously Reported	$ 8,764,201.07
Restatements: Accumulated Depreciation	932,056.96
July 1, 2016 Net Position as Restated	$ 9,696,258.03

REQUIRED SUPPLEMENTARY INFORMATION

Bladen Community College
Required Supplementary Information
Schedule of the Proportionate Net Pension Liability
Teachers' and State Employees' Retirement System
Last Four Fiscal Years ***Exhibit C-1***

	2016	2015	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	0.03517%	0.03752%	0.04064%	0.04170%
Proportionate Share of TSERS Collective Net Pension Liability	$ 3,232,486.00	$ 1,382,686.00	$ 476,472.00	$ 2,531,615.00
Covered Payroll	$ 5,635,783.90	$ 5,850,660.99	$ 6,220,267.29	$ 6,491,565.02
Net Pension Liability as a Percentage of Covered Payroll	57.36%	23.63%	7.66%	39.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	94.64%	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

	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 591,338.29	$ 515,674.25	$ 535,335.48	$ 540,541.23	$ 540,747.37
Contributions in Relation to the Contractually Determined Contribution	591,338.29	515,674.25	535,335.48	540,541.23	540,747.37
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 5,925,233.37	$ 5,635,783.90	$ 5,850,660.99	$ 6,220,267.29	$ 6,491,565.02
Contributions as a Percentage of Covered Payroll	9.98%	9.15%	9.15%	8.69%	8.33%

	2012	2011	2010	2009	2008
Contractually Required Contribution	$ 451,101.87	$ 289,031.58	$ 194,767.29	$ 203,783.55	$ 162,135.75
Contributions in Relation to the Contractually Determined Contribution	451,101.87	289,031.58	194,767.29	203,783.55	162,135.75
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 6,063,196.00	$ 5,862,709.68	$ 5,455,668.28	$ 6,064,985.00	$ 5,315,926.12
Contributions as a Percentage of Covered Payroll	7.44%	4.93%	3.57%	3.36%	3.05%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the pension RSI tables.

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

Changes of Benefit Terms:

Cost of Living Increase

2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

Changes of assumptions. In 2008, 2012, and 2015, the actuarial assumptions were updated to more closely reflect actual experience. In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement systems' actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience.

The Notes to Required Supplementary Information reflects information included in the State of North Carolina's 2016 *Comprehensive Annual Financial Report*.

Independent Auditor's Report

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
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 (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, 2017, 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 6, 2018. 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.

<u>Internal Control Over Financial Reporting</u>

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 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.

<u>Compliance and Other Matters</u>

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.*

<u>Purpose of this Report</u>

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 6, 2018

ORDERING INFORMATION

COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0600

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:
Brad Young
Director of External Affairs
919-807-7513

This audit required 304.5 hours at an approximate cost of $31,363.50.