



BRUNSWICK COMMUNITY COLLEGE

FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

And Independent Auditor's Report

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Independent Auditor's Report

Members of the Board of Trustees
Brunswick Community College
Bolivia, North Carolina

We have audited the accompanying financial statements of Brunswick Community College (the "College"), a component unit of the State of North Carolina, and the discretely presented component unit, as of and for the year ended June 30, 2013 which collectively comprises 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of Brunswick Community College Foundation, Incorporated (the "Foundation") which are presented as component unit exhibits in the accompanying table of contents. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation 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 opinion.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College and the Foundation as of June 30, 2013, 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, 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 May 23, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the 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.

Cherry Bekaert LLP

Charlotte, North Carolina
May 23, 2014

BRUNSWICK COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Brunswick Community College's (College's) financial statements provides an overview of the College's financial activities for the fiscal year ended June 30, 2013, with comparative data for fiscal year ended June 30, 2012. Information contained herein has been prepared for the purpose of identifying significant transactions, trends, and events that have impacted the fiscal health of the College and that may continue to exert influence in future years. It is recommended that this discussion and analysis be read in conjunction with the College's basic financial statements and the notes to the financial statements.

Using This Annual Report

This annual report consists of financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.

The statement format presents financial information in a form that emulates corporate presentation. The statements are prepared under the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The full scope of the College's activities is considered to be a single business-type activity and is reported in a single column on the statements.

The Statement of Net Position reports current and noncurrent assets and liabilities. This statement combines and consolidates current financial resources with capital assets and is a point in time financial statement.

The Statement of Revenues, Expenses, and Changes in Net Position reports revenues earned and expenses incurred during the fiscal year. State and county appropriations and gifts are required to be reported as nonoperating revenues even though these revenue sources are used to cover operating expenses. It is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

The financial statements also include the Statement of Cash Flows. This statement is used to identify the College's sources and uses of cash. The ending cash on the Statement of Cash Flows agrees to the total cash reported on the Statement of Net Position. Also, this statement reconciles the net operating loss reported in the Statement of Revenues, Expenses, and Changes in Net Position to the net cash used by operating activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statements and may be found at the end of this report.

**BRUNSWICK COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Net Position

The following condensed statement of net position compares the current year information with the prior year and indicates the increase or decrease between years.

Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Increase (Decrease)</u>
Current Assets	\$ 1,832,852.99	\$ 1,662,819.21	\$ 170,033.78
Noncurrent Capital Assets	43,273,510.80	42,792,897.88	480,612.92
Other Noncurrent Assets	<u>722,123.26</u>	<u>622,704.93</u>	<u>99,418.33</u>
Total Assets	<u>45,828,487.05</u>	<u>45,078,422.02</u>	<u>750,065.03</u>
Current Liabilities	714,588.90	458,325.19	256,263.71
Noncurrent Liabilities	<u>454,620.68</u>	<u>489,192.35</u>	<u>(34,571.67)</u>
Total Liabilities	<u>1,169,209.58</u>	<u>947,517.54</u>	<u>221,692.04</u>
Net Assets			
Invested in Capital Assets	43,273,510.80	42,792,897.88	480,612.92
Restricted	1,359,022.29	1,041,291.17	317,731.12
Unrestricted	<u>26,744.38</u>	<u>296,715.43</u>	<u>(269,971.05)</u>
Total Net Assets	<u>\$ 44,659,277.47</u>	<u>\$ 44,130,904.48</u>	<u>\$ 528,372.99</u>

Total assets increased by \$750,065.03 and total liabilities increased by \$221,692.04 resulting in an overall increase in net position of \$528,372.99, or 1.19%. The increase in current assets and restricted net position is due to a receivable of \$200,000 from Golden LEAF to create three to four business incubator spaces at the College's Work Force Training Center in Leland. The majority of the increase in noncurrent capital assets, along with invested in capital assets, is due to an increase in construction in progress pertaining to the renovations of the Southport Continuing Education Center. Current liabilities increased by \$256,263.71 primarily due to contracts payable for the Southport Continuing Education Center.

The College's net position is divided into three major categories. The first, invested in capital assets, represents the College's equity position with regards to property, facilities, and equipment. The second category, restricted, is restricted for expendable scholarships and fellowships, loans, capital projects, and other (such as student fees, special project grants, etc.). The final category is that of unrestricted which is available for any lawful purpose of the College.

**BRUNSWICK COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position provides information regarding the College's activities for the year ending June 30, 2013 and June 30, 2012.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
Fiscal Years Ended June 30, 2013 and June 30, 2012

	<u>2013</u>	<u>2012</u>	<u>Total Increase (Decrease)</u>
Operating Revenues:			
Student Tuition and Fees, Net	\$ 863,252.65	\$ 771,229.74	\$ 92,022.91
Federal Grants and Contracts	100,000.00	-	100,000.00
Sales and Services	1,218,618.43	1,140,552.19	78,066.24
Other Operating Revenues	44,777.04	52,710.13	(7,933.09)
Total Operating Revenues	<u>2,226,648.12</u>	<u>1,964,492.06</u>	<u>262,156.06</u>
Operating Expenses:			
Personal Services	12,574,798.68	11,926,931.50	647,867.18
Supplies and Materials	1,316,182.65	1,277,671.74	38,510.91
Services	2,179,394.41	1,947,420.06	231,974.35
Scholarships and Fellowships	1,514,824.58	1,518,753.32	(3,928.74)
Utilities	939,742.44	892,450.31	47,292.13
Depreciation	1,098,867.44	1,113,670.19	(14,802.75)
Total Operating Expenses	<u>19,623,810.20</u>	<u>18,676,897.12</u>	<u>946,913.08</u>
Operating Loss	<u>(17,397,162.08)</u>	<u>(16,712,405.06)</u>	<u>(684,757.02)</u>
Nonoperating Revenues:			
State Aid	8,143,472.18	7,608,548.09	534,924.09
County Appropriations	3,612,119.28	3,471,062.74	141,056.54
Noncapital Grants - Federal Student Financial Aid	2,703,153.71	2,814,549.08	(111,395.37)
Noncapital Grants	1,417,840.51	1,044,429.32	373,411.19
Noncapital Gifts	168,534.01	189,258.36	(20,724.35)
Investment Income	2,229.70	2,142.45	87.25
Other Nonoperating Revenues	84,131.44	70,420.70	13,710.74
Total Nonoperating Revenues	<u>16,131,480.83</u>	<u>15,200,410.74</u>	<u>931,070.09</u>
Loss Before Other Revenues	<u>(1,265,681.25)</u>	<u>(1,511,994.32)</u>	<u>246,313.07</u>
Other Revenues:	<u>1,794,054.24</u>	<u>891,496.86</u>	<u>902,557.38</u>
Decrease in Net Position	<u>528,372.99</u>	<u>(620,497.46)</u>	<u>1,148,870.45</u>
Net Position - Beginning of Year	44,130,904.48	44,751,401.94	(620,497.46)
Net Position - End of Year	<u>\$ 44,659,277.47</u>	<u>\$ 44,130,904.48</u>	<u>\$ 528,372.99</u>

The increase in operating revenues is due to a combination of factors. Student tuition and fees increased by \$92,022.91 mainly due to an increase in enrollment and tuition rates. Federal grants and contracts increased due to the receipt of funds from a USDA Rural Development American Recovery and Reinvestment Act grant for renovations of the Southport Continuing Education Center in the amount of \$100,000.00. Sales and services increased \$78,066.24 due to an increase in revenue for performances and rentals at the Odell Williamson Auditorium.

**BRUNSWICK COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Operating expenses increased \$946,913.08, or 5.07%, primarily due to an increase in personnel services of 5.43%. The College's Board of Trustees awarded a one-time bonus to employees from county funds in November of 2012. In addition, the College had a number of long-term employees retire or leave as of June 30, 2013. These employees were paid for their accumulated leave upon their termination of employment. Services increased 11.91% due to the increase in payments to performers and for contracted janitorial services at the Odell Williamson Auditorium and payments for a salary study.

Nonoperating revenues increased \$931,070.09, or 6.13%, mainly due to an increase in state aid. State aid revenues increased \$304,527.00 for curriculum instruction, \$34,683.00 for occupational extension, and \$189,203.00 for instructional support due to an increase in budgeted FTE. The increase in noncapital grants is mainly due to revenue of \$200,000.00 from Golden LEAF to create three to four business incubator spaces at the College's Work Force Training Center in Leland.

Other revenues increased \$902,557.38, or 101%, due to the receipt of county bonds for renovations of the Southport Continuing Education Center.

Capital Assets

At June 30, 2013 the College reported \$54,211,910.85 invested in capital assets less \$10,938,400.05 in accumulated depreciation, for net capital assets of \$43,273,510.80. The College's net investment in land, construction-in-progress, buildings, machinery and equipment, and general infrastructure constitutes net capital assets. These balances resulted from the net effect of capital additions of \$1,565,289.91 and net annual depreciation of \$1,084,676.99. Expenses related to the renovations of the Southport Continuing Education Center were reported as construction-in-progress.

The following schedule reports capital assets for the fiscal years 2013 and 2012, net of accumulated depreciation.

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Total Increase (Decrease)</u>
Land	\$ 1,358,228.70	\$ 1,358,228.70	\$ -
Construction in Progress	1,690,915.68	377,342.73	1,313,572.95
Buildings	36,344,614.53	37,256,145.68	(911,531.15)
Machinery and Equipment	1,452,971.61	1,319,602.48	133,369.13
General Infrastructure	<u>2,426,780.28</u>	<u>2,481,578.29</u>	<u>(54,798.01)</u>
Totals	<u>\$ 43,273,510.80</u>	<u>\$ 42,792,897.88</u>	<u>\$ 480,612.92</u>

**BRUNSWICK COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Other Information

The FTEs that generate the College's State budget (budget FTEs) increased overall from FY 2012 to FY 2013. The College is funded based on actual FTEs earned during the prior fiscal year, or a three year average, whichever is greater.

	<u>2012-2013</u>	<u>2011-2012</u>	<u>Increase/ (Decrease)</u>
Curriculum	1,291	1,237	4.37%
Occupational Extension	301	297	1.35%
Basic Skills	<u>252</u>	<u>248</u>	1.61%
Total	<u><u>1,844</u></u>	<u><u>1,782</u></u>	3.48%

For FY 2013, the General Assembly enacted an \$83.2 million management flexibility reduction to the State Aid budget. The State Board of Community Colleges allocated the reduction pro-rata based on each college's estimated General Fund appropriation. The College's portion of the management flexibility reduction was \$739,961.00.

Construction Commitments

The College reported commitments on open construction contracts for general contractors in the amount of \$328,688.47 and architects in the amount of \$19,000.00.

The Southport Continuing Education Center will complete the building projects that started with a bond referendum in 2004. This continuing education center will enhance the College's learning facilities.

The Southport Continuing Education Center is expected to cost \$1.4 million to renovate and will include computer labs, general purpose classrooms, and rooms dedicated to art and community space for receptions and meetings.

Bids were accepted for the Southport Continuing Education Center renovations during November and December 2011, and were awarded. The renovations began during the spring of 2012 and are expected to be completed in November 2014

BRUNSWICK COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budget

The population for Brunswick County continues to increase and is projected to be 128,300 by 2017. Brunswick County's growth is predicted to continue with an annual growth rate of 2.5% for the years 2013 to 2017. The Leland area, in the Northern part of the county, has experienced significant growth due to the construction of multiple housing developments and the annexation of another along the Highway 17 corridor. Since 2000, Leland has had a population growth of 67.51%. Our Leland campus is just outside the town limits and provides education and skill enhancement opportunities for new, expanding, and existing businesses in the Cape Fear region to promote future growth through educating the area's workforce.

The College's budgeted FTE increased 3.48% from FY 2012 to FY 2013 which resulted in a formula allotment increase of \$528,614.00. In light of the State's fiscal situation, a management flexibility reduction of \$624,772.00 was required for the 2013-2014 fiscal year, which represents a decrease of \$115,189.00 from the prior year's reduction.

Effective FY 2013-14, Section 10.4 of S.L. 2013-360 changed the method for determining colleges' budget FTE. Previously, budget FTE was calculated based on the higher of the prior year's enrollment or the average of the prior three years. Moving forward, colleges' budget FTE will be calculated based on the higher of the prior year's enrollment or the average of the prior two years.

A tuition increase for 2013-2014 curriculum programs became effective July 1, 2013. In-state tuition rates increased from \$69.00 per credit hour to \$71.50 per credit hour. Out-of-state tuition rates increased from \$261.00 per credit hour to \$263.50 per credit hour. The maximum charge is still based on 16 credit hours. Tuition for continuing education occupational extension registration fees for 2013-2014 increased by \$5.00 per course.

The 2013-2014 County appropriation is \$3,781,447.00 which represents \$124,132.00, or 3.4%, increase from the prior year. The additional County funds will be used to support the addition of the South Brunswick Islands and Southport Continuing Education Center operations.

Looking into the future, management believes the College is well positioned to continue its solid financial condition and level of excellence to the Community. The College has been strategic in preparing its budget with limited resources and has been able to cover current needs so that instruction will not suffer. The College is committed to serving students by hiring additional faculty and creating more class sections, as needed, to facilitate continued enrollment growth.

**BRUNSWICK COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Request for Information

This financial report is designed to provide a general overview of Brunswick 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 George Guthrie, Vice President of and Operations, for Brunswick Community College, 50 College Road, Supply, NC 28462, (910) 755-7403.

Brunswick Community College
Statement of Net Position
June 30, 2013

Exhibit A-1

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 714,537.03
Restricted Cash and Cash Equivalents	569,284.55
Receivables, Net (Note 3)	290,445.98
Due from State of North Carolina Component Units	200,000.00
Inventories	<u>58,585.43</u>
Total Current Assets	<u>1,832,852.99</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	700,191.01
Receivables, Net (Note 3)	3,412.25
Restricted Due from Primary Government	18,520.00
Capital Assets - Nondepreciable (Note 4)	3,049,144.38
Capital Assets - Depreciable, Net (Note 4)	<u>40,224,366.42</u>
Total Noncurrent Assets	<u>43,995,634.06</u>
Total Assets	<u>45,828,487.05</u>

LIABILITIES

Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 5)	523,944.53
Due to Primary Government	831.33
Unearned Revenue	87,161.39
Funds Held for Others	2,407.88
Long-Term Liabilities - Current Portion (Note 6)	<u>100,243.77</u>
Total Current Liabilities	<u>714,588.90</u>
Noncurrent Liabilities:	
Long-Term Liabilities (Note 6)	<u>454,620.68</u>
Total Liabilities	<u>1,169,209.58</u>

NET POSITION

Net Investment in Capital Assets	43,273,510.80
Restricted for:	
Expendable:	
Scholarships and Fellowships	332,500.89
Loans	92,132.89
Capital Projects	664,296.70
Other	270,091.81
Unrestricted	<u>26,744.38</u>
Total Net Position	<u>\$ 44,659,277.47</u>

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

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

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 9)	\$ 863,252.65
Federal Grants and Contracts	100,000.00
Sales and Services	1,218,618.43
Other Operating Revenues	44,777.04

Total Operating Revenues	2,226,648.12
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EXPENSES

Operating Expenses:

Salaries and Benefits	12,574,798.68
Supplies and Materials	1,316,182.65
Services	2,179,394.41
Scholarships and Fellowships	1,514,824.58
Utilities	939,742.44
Depreciation/ Amortization	1,098,867.44

Total Operating Expenses	19,623,810.20
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Operating Loss	(17,397,162.08)
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NONOPERATING REVENUES

State Aid	8,143,472.18
County Appropriations	3,612,119.28
Noncapital Grants - Student Financial Aid	2,703,153.71
Noncapital Grants	1,417,840.51
Noncapital Gifts	168,534.01
Investment Income, Net	2,229.70
Other Nonoperating Revenues	84,131.44

Net Nonoperating Revenues	16,131,480.83
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Income Before Other Revenues, Expenses, Gains, and Losses	(1,265,681.25)
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State Capital Aid	487,122.96
County Capital Aid	44,985.72
Capital Grants	1,261,945.56

Increase in Net Position	528,372.99
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NET POSITION

Net Position, July 1, 2012	44,130,904.48
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Net Position, June 30, 2013	\$ 44,659,277.47
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The accompanying notes to the financial statements are an integral part of this statement.

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

Exhibit A-3

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CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 2,228,867.11
Payments to Employees and Fringe Benefits	(12,474,695.73)
Payments to Vendors and Suppliers	(4,313,650.52)
Payments for Scholarships and Fellowships	(1,544,320.14)
Other Receipts	89,908.21

Net Cash Used by Operating Activities	(16,013,891.07)
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	8,143,472.18
County Appropriations	3,612,119.28
Noncapital Grants - Student Financial Aid	2,703,153.71
Noncapital Grants Received	1,217,589.90
Noncapital Gifts and Endowments Received	168,534.01

Net Cash Provided by Noncapital Financing Activities	15,844,869.08
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	487,122.96
County Capital Aid	44,985.72
Capital Grants Received	1,277,440.33
Acquisition and Construction of Capital Assets	(1,579,480.36)

Net Cash Provided by Capital and Related Financing Activities	230,068.65
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CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	2,229.70
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Net Cash Provided by Investing Activities	2,229.70
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Net Increase in Cash and Cash Equivalents	63,276.36
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Cash and Cash Equivalents, July 1, 2012	1,920,736.23
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Cash and Cash Equivalents, June 30, 2013	\$ 1,984,012.59
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The accompanying notes to the financial statements are an integral part of this statement.

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

Exhibit A-3
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RECONCILIATION OF OPERATING LOSS

TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (17,397,162.08)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/ Amortization Expense	1,098,867.44
Miscellaneous Nonoperating Income	84,131.44
Changes in Assets and Liabilities:	
Receivables, Net	(25,892.19)
Inventories	3,926.02
Accounts Payable and Accrued Liabilities	219,247.53
Due to Primary Government	(1,767.74)
Unearned Revenue	2,814.00
Funds Held for Others	1,578.39
Compensated Absences	366.12
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (16,013,891.07)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 714,537.03
Restricted Cash and Cash Equivalents	569,284.55
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	700,191.01
	<hr/>
Total Cash and Cash Equivalents - June 30, 2013	<u><u>\$ 1,984,012.59</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	\$ 200,000.00
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The accompanying notes to the financial statements are an integral part of this statement.

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

Exhibit B-1

ASSETS

Cash	\$	168,612.00
Investments		3,148,720.00
Receivables, Net		10,336.00
Notes Receivable, Net		157,258.00
Property, Net		13,915.00

Total Assets \$ 3,498,841.00

LIABILITIES AND NET ASSETS

Accounts Payable	\$	12,448.00
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Net assets:

Unrestricted		810,668.00
Temporarily Restricted		433,316.00
Permanently Restricted		2,242,409.00

Total Net Assets 3,486,393.00

Total Liabilities and Net Assets \$ 3,498,841.00

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

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

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and Gains:

Contributions	\$ 65,818.00
Investment Income	13,405.00
Gifts in Kind	228,000.00
Other Income	11,161.00

Total Unrestricted Revenues and Gains	318,384.00
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Net Assets Released from Restrictions:

Satisfaction of Program Restrictions	262,662.00
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Total Unrestricted Revenues, Gains, and Other Support	581,046.00
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Expenses:

Program Services Expense	509,963.00
Administrative Expense	64,103.00
Fundraising Expense	24,446.00

Total Expenses	598,512.00
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Decrease in Unrestricted Net Assets	(17,466.00)
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CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions	291,073.00
Investment Income	91,798.00
Other Income	29,142.00
Net Assets Released from Restrictions	(262,662.00)

Increase in Temporarily Restricted Net Assets	149,351.00
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CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Contributions	50,394.00
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Increase in Permanently Restricted Net Assets	50,394.00
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Increase in Net Assets	182,279.00
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Net Assets at Beginning of Year	3,304,114.00
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Net Assets at End of Year	\$ 3,486,393.00
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The accompanying notes to the financial statements are an integral part of this statement.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. The discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize their legal separateness.

Discretely Presented Component Unit – The Brunswick Community College Foundation, Inc. (the Foundation), is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of 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 25 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 invest are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

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

During the year ended June 30, 2013, the Foundation distributed \$234,255.52 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the College's Foundation Office, Brunswick Community College, PO Box 30, Supply, North Carolina 28462, or by calling (910) 755-8517.

- 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 and merchandise for resale, are valued at the lower of cost or market using the first-in, first-out method.

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

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

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 to 75 years for general infrastructure, 50 years for buildings, and 5 to 25 years for equipment, and 2 to 30 years for computer software.

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

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

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

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

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

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

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

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

Net Investment in Capital Assets - This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

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

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

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

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

M. Revenue and Expense Recognition - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that

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

have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, state, and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

- N. 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

- A. 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. Cash on hand at June 30, 2013 was \$1,350.00. The carrying amount of the College's deposits not with the State Treasurer, including certificates of deposit, was \$1,982,662.59, and the bank balance was \$2,374,859.08.

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

**BRUNSWICK COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2013, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

- B. Investments** - Investments of the College's discretely presented component unit, the Brunswick Community College Foundation, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. A summary of investment balances held at various brokerage and investment companies at June 30, 2013 are as follows:

Investment	Market Value
SEI	\$ 2,855,163.00
Scott & Stringfellow	202,507.00
Edward Jones	37,002.00
Cash Surrender Value of Life Insurance Policy	54,048.00
Total Fair Market Value of Investments	\$ 3,148,720.00

The asset allocation of investments at June 30, 2013 is as follows:

Fixed Income	43%
Cash & Equivalents	9%
International Equities	9%
Multi-strategy Alternative Investments	3%
Domestic Equities	9%
Balanced Mutual Funds	<u>27%</u>
	<u>100%</u>

**BRUNSWICK COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2013, is as follows:

Cash on Hand	\$	1,350.00
Carrying Amount of Deposits with Private Financial Institutions		<u>1,982,662.59</u>
Total Deposits and Investments	\$	<u>1,984,012.59</u>
Current:		
Cash and Cash Equivalents	\$	714,537.03
Restricted Cash and Cash Equivalents		569,284.55
Noncurrent:		
Restricted Cash and Cash Equivalents		<u>700,191.01</u>
Total Deposits and Investments	\$	<u>1,984,012.59</u>

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 613,928.75	\$ 337,677.36	\$ 276,251.39
Intergovernmental	1,439.15	-	1,439.15
Other	<u>12,755.44</u>	<u>-</u>	<u>12,755.44</u>
Total Current Receivables	<u>\$ 628,123.34</u>	<u>\$ 337,677.36</u>	<u>\$ 290,445.98</u>
Noncurrent Receivables:			
Intergovernmental	<u>\$ 3,412.25</u>	<u>\$ -</u>	<u>\$ 3,412.25</u>
Total Noncurrent Receivables	<u>\$ 3,412.25</u>	<u>\$ -</u>	<u>\$ 3,412.25</u>

**BRUNSWICK COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 1,358,228.70	\$ -	\$ -	\$ 1,358,228.70
Construction in Progress	377,342.73	1,313,572.95	-	1,690,915.68
Total Capital Assets, Nondepreciable	<u>1,735,571.43</u>	<u>1,313,572.95</u>	<u>-</u>	<u>3,049,144.38</u>
Capital Assets, Depreciable:				
Buildings	45,576,557.42	-	-	45,576,557.42
Machinery and Equipment	2,564,055.68	265,907.41	14,190.45	2,815,772.64
General Infrastructure	2,770,436.41	-	-	2,770,436.41
Total Capital Assets, Depreciable	<u>50,911,049.51</u>	<u>265,907.41</u>	<u>14,190.45</u>	<u>51,162,766.47</u>
Less Accumulated Depreciation/Amortization for:				
Buildings	8,320,411.74	911,531.15	-	9,231,942.89
Machinery and Equipment	1,244,453.19	132,538.29	14,190.45	1,362,801.03
General Infrastructure	288,858.13	54,798.00	-	343,656.13
Total Accumulated Depreciation/Amortization	<u>9,853,723.06</u>	<u>1,098,867.44</u>	<u>14,190.45</u>	<u>10,938,400.05</u>
Total Capital Assets, Depreciable, Net	<u>41,057,326.45</u>	<u>(832,960.03)</u>	<u>-</u>	<u>40,224,366.42</u>
Capital Assets, Net	<u>\$ 42,792,897.88</u>	<u>\$ 480,612.92</u>	<u>\$ -</u>	<u>\$ 43,273,510.80</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>Amount</u>
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 252,535.88
Accrued Payroll	214,156.36
Contract Retainage	57,826.56
Intergovernmental Payables	<u>(574.27)</u>
Total	<u>\$ 523,944.53</u>

**BRUNSWICK COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 - LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Current Portion</u>
Compensated Absences	\$ 554,498.33	\$ 17,769.33	\$ 17,403.21	\$ 554,864.45	\$ 100,243.77
Total Long-Term Liabilities	<u>\$ 554,498.33</u>	<u>\$ 17,769.33</u>	<u>\$ 17,403.21</u>	<u>\$ 554,864.45</u>	<u>\$ 100,243.77</u>

NOTE 7 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for copiers. Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2013:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 45,919.82
2015	43,772.62
2016	42,238.91
2017	10,118.49
2018	4,216.04
Total Minimum Lease Payments	<u>\$ 146,265.88</u>

Rental expense for all operating leases during the year was \$46,589.63.

**BRUNSWICK COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 - FUTURE RENTAL REVENUES

Future minimum lease revenues under non-cancelable operating leases related to wireless broadband services are recorded when earned. Minimum future revenues under non-cancelable agreements treated as operating leases consist of the following at June 30, 2013:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 15,618.00
2015	15,618.00
2016	15,618.00
Total Minimum Lease Payments	\$ 46,854.00

Rental revenue for all operating leases during the year was \$15,618.00.

NOTE 9 - REVENUES

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

	<u>Gross Revenues</u>	<u>Internal Sales Eliminations</u>	<u>Less Scholarship Discounts</u>	<u>Less Allowance for Uncollectibles</u>	<u>Less Indigent Care and Contractual Adjustments</u>	<u>Net Revenues</u>
Operating Revenues:						
Student Tuition and Fees	\$ 2,705,619.75	\$ -	\$ 1,523,644.22	\$ 318,722.88	\$ -	\$ 863,252.65

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	<u>Salaries and Benefits</u>	<u>Supplies and Materials</u>	<u>Services</u>	<u>Scholarships and Fellowships</u>	<u>Utilities</u>	<u>Depreciation/ Amortization</u>	<u>Total</u>
Instruction	\$ 6,506,494.24	\$ 817,867.51	\$ 514,841.03	\$ -	\$ -	\$ -	\$ 7,839,202.78
Academic Support	1,004,557.18	39,661.65	62,585.62	-	-	-	1,106,804.45
Student Services	864,700.43	14,974.14	145,068.18	-	-	-	1,024,742.75
Institutional Support	2,490,057.81	256,968.24	429,462.99	-	-	-	3,176,489.04
Operations and Maintenance of Plant	986,365.34	144,339.24	691,118.26	-	939,742.44	-	2,761,565.28
Student Financial Aid	-	-	-	1,514,824.58	-	-	1,514,824.58
Auxiliary Enterprises	722,623.68	42,371.87	336,318.33	-	-	-	1,101,313.88
Depreciation/ Amortization	-	-	-	-	-	1,098,867.44	1,098,867.44
Total Operating Expenses	\$ 12,574,798.68	\$ 1,316,182.65	\$ 2,179,394.41	\$ 1,514,824.58	\$ 939,742.44	\$ 1,098,867.44	\$ 19,623,810.20

**BRUNSWICK COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 11 - PENSION PLANS

- A. Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (TSERS) is a cost-sharing multiple-employer defined benefit pension plan established by the state to provide pension benefits for employees of the state, its component units and local boards of education. The Plan is administered by a 14-member Board of Trustees, with the State Treasurer serving as Chairman of the Board.

Benefit and contribution provisions for the TSERS are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2013, these rates were set at 8.33% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$9,854,453.56, of which \$7,674,612.87 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$639,295.25 and \$451,421.98, respectively.

Required employer contribution rates for the years ended June 30, 2012, and 2011, were 7.44% and 4.93%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2013, 2012, and 2011, which were \$639,295.25, \$536,797.97, and \$379,567.00, respectively.

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

B. Deferred Compensation and Supplemental Retirement Income Plans

Internal Revenue Code Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College except for a 5% employer contribution

**BRUNSWICK COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

for the College's law enforcement officers, which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of College law enforcement officers for the year ended June 30, 2013, were \$9,581.45. The voluntary contributions by employees amounted to \$71,867.75 for the year ended June 30, 2013.

Internal Revenue Code Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. The plan administrators are AXA, Consec, and VALIC. No costs are incurred by the College. The voluntary contributions by employees amounted to \$29,396.00 for the year ended June 30, 2013.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

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

The Plan's benefit and contribution provisions are established by the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees as authorized by Chapter 135, Article 3B, of the General Statutes. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to

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

providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees.

For the current fiscal year the College contributed 5.30% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2012, and 2011, were 5.0% and 4.9%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2013, 2012, and 2011, which were \$406,754.48, \$360,751.33, and \$377,257.26, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

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

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2013, the College made a statutory contribution of .44% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2012, and 2011, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2013, 2012, and 2011, which were \$33,768.30, \$37,518.14, and \$40,035.46, respectively. The College

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

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.

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

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

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

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

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

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

The College maintains healthcare practitioner's/services professional liability insurance for the EMT program in the amount of \$1,000,000 per claim with a \$1,000 deductible and a \$1,000,000 aggregate limit. The College also maintains commercial liability coverage for the nursing program in the amount of \$1,000,000 per claim with a \$500 deductible and \$3,000,000 aggregate limit.

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

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

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NOTE 14 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$347,688.47 at June 30, 2013.
- B. Contingencies** - Federal funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the College.
- C. 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, 2013, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements
- GASB statement No. 61, The Financial Reporting Entity – Omnibus – An Amendment of GASB Statements No. 14 and No. 34
- GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements
- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

GASB Statement No. 60 sets forth criteria used to establish when a Service Concession Arrangement exists, and the various reporting and disclosure requirements related to both transferors and governmental operators in such as arrangement.

GASB Statement No. 61 sets forth additional requirements for identifying component units, blending identified component units, presenting condensed

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combining information for blended component units, and accounting for certain equity interests.

GASB Statement No. 62 does not propose any new guidance. The purpose of this statement is to incorporate into the GASB's authoritative literature certain guidance from Pre-November 1989 FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting research Bulletins from the AICPA Committee on Accounting Procedure.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

NOTE 15 - SUBSEQUENT EVENTS

The College has evaluated subsequent events through May 23, 2014, which is the date the financial statements were available to be issued.

NOTE 16 - AUDIT HOURS AND COST

The audit required 280 hours at an approximate cost of \$32,000. The cost represents 0.069% of the College's total assets and 0.163% of total expenses subjected to audit.

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

Members of the Board of Trustees
Brunswick Community College
Bolivia, 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 Brunswick Community College (the "College") as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated May 23, 2014. Our report includes a reference to other auditors who audited the financial statements of Brunswick Community College Foundation, Incorporated (the "Foundation"), 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 separately by those auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

Cherry Bekaert LLP

Charlotte, North Carolina
May 23, 2014