

STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF

BRUNSWICK COMMUNITY COLLEGE

SUPPLY, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

BRUNSWICK COMMUNITY COLLEGE

SUPPLY, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

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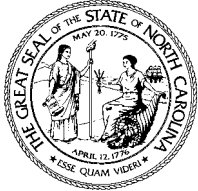
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Ralph Campbell, Jr.
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STATE OF NORTH CAROLINA
Office of the State Auditor

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

AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Trustees, Brunswick Community College

This report presents the results of our financial statement audit of Brunswick Community College, a component unit of the State of North Carolina, for the year ended June 30, 2003. Our audit was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

The accounts and operations of the College are an integral part of the State's reporting entity represented in the State's *Comprehensive Annual Financial Report (CAFR)* and the State's *Single Audit Report*. In those reports, the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report*, the State Auditor also presents the audit results on the State's internal controls and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs.

As part of the audit work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to audit procedures as we considered necessary. In addition, we performed auditing procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Brunswick Community College. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is to present the results of our audit on the accompanying financial statements that relate solely to Brunswick Community College. A summary of our reporting objectives and audit results is:

- 1. Objective** – To express an opinion on the accompanying financial statements that relate solely to Brunswick Community College.

Results - The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with accounting principles generally accepted in the United States of America. These matters are more fully described in the Independent Auditor's Report on the Financial Statements.

AUDITOR'S TRANSMITTAL (CONCLUDED)

2. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the College's ability to record, process, summarize, and report financial data in the financial statements and present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

Results - Our tests disclosed no material weaknesses in internal control over financial reporting and no instances of noncompliance which require disclosure herein under *Government Auditing Standards*. These matters are more fully described in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting.

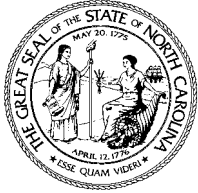
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



Ralph Campbell, Jr.
State Auditor

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Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Brunswick Community College
Supply, North Carolina

We have audited the accompanying basic financial statements of Brunswick Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brunswick Community College as of June 30, 2003, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A), as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ralph Campbell, Jr.
State Auditor

April 8, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Brunswick Community College's Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial activity during the fiscal years ended June 30, 2003 and June 30, 2002. Since this management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the transmittal letter, the College's basic financial statements and the notes to the financial statements. Responsibility for the completeness and fairness of this information rests with the College.

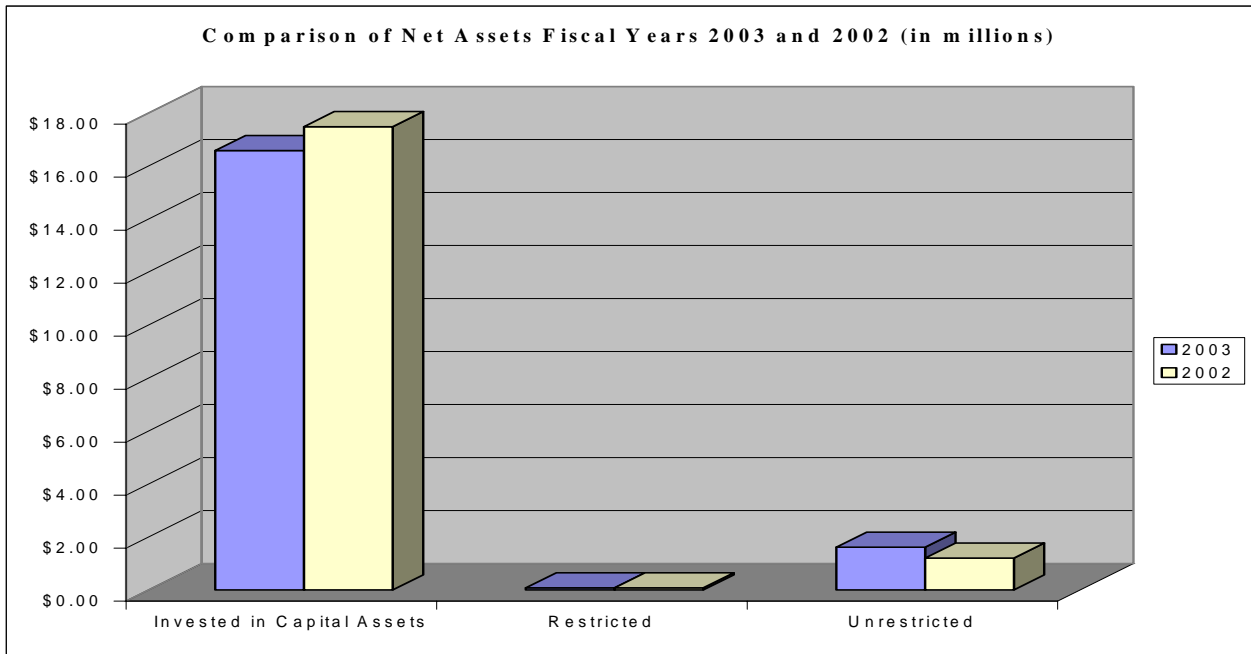
Using This Annual Report

The new financial statement (implemented in the fiscal year ended June 30, 2002) focuses on the College as a whole. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the Statement of Net Assets is designed to be similar to bottom line results for the College. This Statement combines and consolidates current financial resources (short-term consumable resources) with capital assets. The Statement of Revenues, Expenses, and Changes in Net Assets 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 approach is intended to summarize and simplify the user's analysis of costs of various College services to students and the public.

Financial Highlights

As of June 30, 2003, the College's net assets decreased 2.61 percent from \$18.76 million to \$18.27 million at June 30, 2003. This decrease is due in part to a 5.14 percent decrease in invested in capital assets due to depreciation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



Financial Analysis of the College as a Whole

	Net Assets As of June 30, 2003 (in millions)	Net Assets As of June 30, 2002 (in millions)	Increase (Decrease)	Percent (Change)
Current Assets	\$ 0.87	\$ 1.00	\$ (0.13)	(13.20%)
Noncurrent Assets				
Restricted Cash and Cash Equivalents	0.63	0.54	0.09	17.41%
Restricted Due from Primary Government	0.51	0.13	0.38	292.31%
Capital Assets, Net of Depreciation	<u>16.60</u>	<u>17.50</u>	<u>(0.90)</u>	<u>(5.14%)</u>
Total Assets	<u>18.61</u>	<u>19.17</u>	<u>(0.56)</u>	<u>(2.91%)</u>
Current Liabilities	0.09	0.41	(0.32)	(78.63%)
Noncurrent Liabilities	<u>0.25</u>		<u>0.25</u>	
Total Liabilities	<u>0.34</u>	<u>0.41</u>	<u>(0.07)</u>	<u>(17.86%)</u>
Net Assets				
Invested in Capital Assets	16.59	17.48	(0.89)	(5.09%)
Restricted	1.20	0.08	1.12	1400.00%
Unrestricted	<u>0.48</u>	<u>1.20</u>	<u>(0.72)</u>	<u>(60.00%)</u>
Total Net Assets	<u>\$ 18.27</u>	<u>\$ 18.76</u>	<u>\$ (0.49)</u>	<u>(2.61%)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

This schedule is prepared from the College's Statement of Net Assets, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

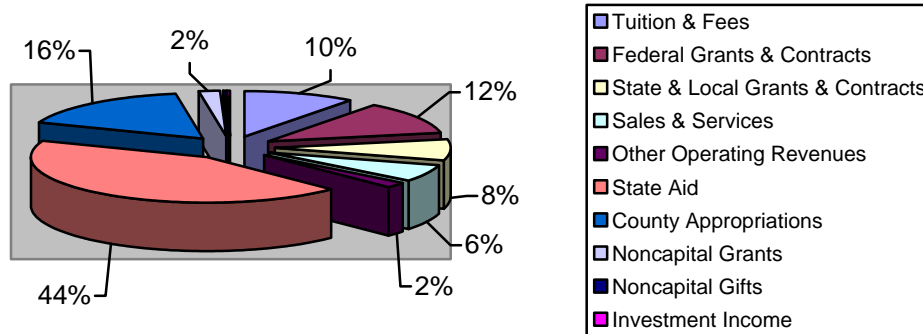
Operating Results for the Years Ended June 30, 2003 and 2002 (in millions)

	2003	2002	Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and Fees	\$ 0.40	\$ 0.39	\$ 0.01	1.54%
Federal Grants and Contracts	1.20	1.03	0.17	16.89%
State and Local Grants and Contracts	0.40		0.40	
Sales and Services	0.63	0.58	0.05	8.62%
Total Operating Revenues	2.63	2.00	0.63	31.35%
Operating Expenses	10.38	10.00	0.38	4.00%
Operating Loss	(7.75)	(8.00)	0.25	(2.86%)
Nonoperating Revenues				
State Aid	4.55	4.61	(0.06)	(1.32%)
County Appropriations	1.73	1.62	0.11	6.54%
Noncapital Grants	0.20	0.01	0.19	1860.00%
Noncapital Gifts	0.05	0.03	0.02	70.00%
Investment Income	0.02	0.03	(0.01)	(40.00%)
Other	0.22	0.92	(0.70)	(76.41%)
Total Nonoperating Revenue	6.77	7.22	(0.45)	(6.41%)
Other Revenues				
State Capital Aid	0.65	1.08	(0.43)	(39.91%)
County Capital Appropriations	0.27	0.26	0.01	4.62%
Total Other Revenues	0.92	1.34	(0.42)	(31.27%)
Increase (Decrease) in Net Assets	(0.06)	0.56	(0.62)	(110.71%)
Net Assets, Beginning of Year	18.76	21.48	(2.72)	(12.66%)
Restatements	(0.43)	(3.28)	2.85	86.89%
Net Assets, End of Year	\$ 18.27	\$ 18.76	(0.49)	(2.61%)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following is a graphic illustration of revenues by source.

Revenues by Source



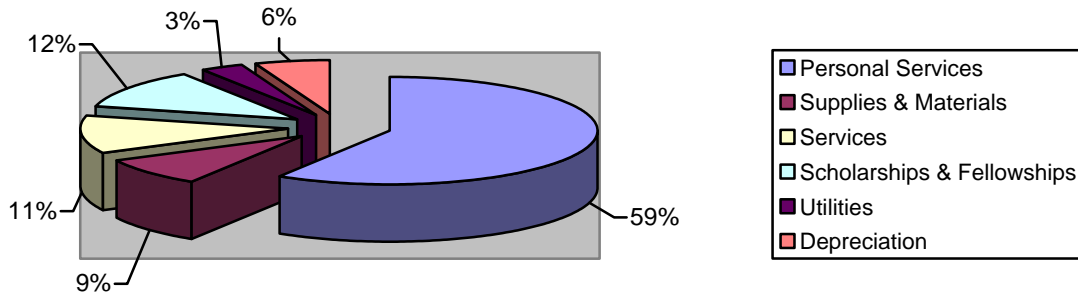
Operating revenues increased \$.63 million, which includes a \$.40 million increase in State and local grants and contracts.

**Operating Expenses
For the Years Ended June 30, 2003 and 2002
(in millions)**

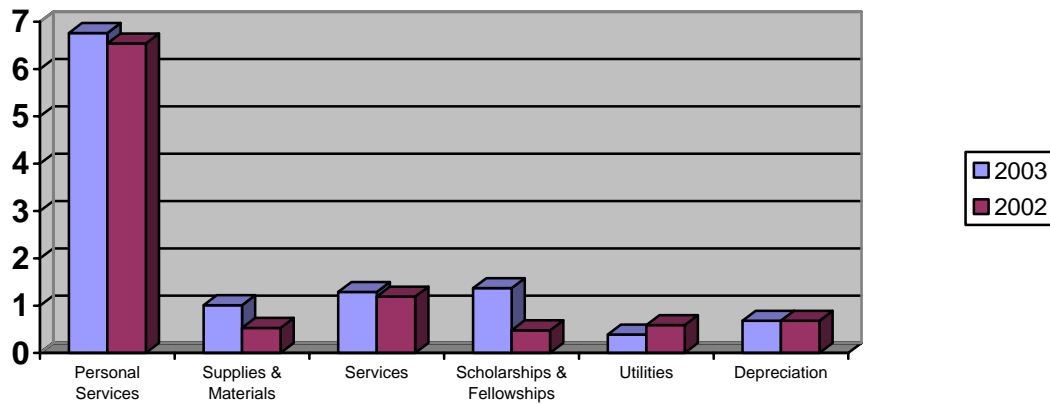
	<u>2003</u>	<u>2002</u>	Increase (Decrease)	Percent Change
Operating Expense				
Personal Services	\$ 6.34	\$ 6.54	\$ (0.20)	(2.98%)
Supplies and Materials	1.01	0.53	0.48	91.13%
Services	1.29	1.19	0.10	7.98%
Scholarships and Fellowships	0.68	0.48	0.20	42.21%
Utilities	0.38	0.59	(0.21)	(34.75%)
Depreciation	0.68	0.68		(0.59%)
Total	<u>\$ 10.38</u>	<u>\$ 10.01</u>	<u>\$ 0.37</u>	<u>3.71%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following is a graphic illustration of operating expenses.



Comparison of Operating Expenses Fiscal Years 2003 and 2002



Operating expenses for fiscal year 2003 increased \$.37 million over fiscal year 2002. This increase was caused primarily by the increase in supplies and materials.

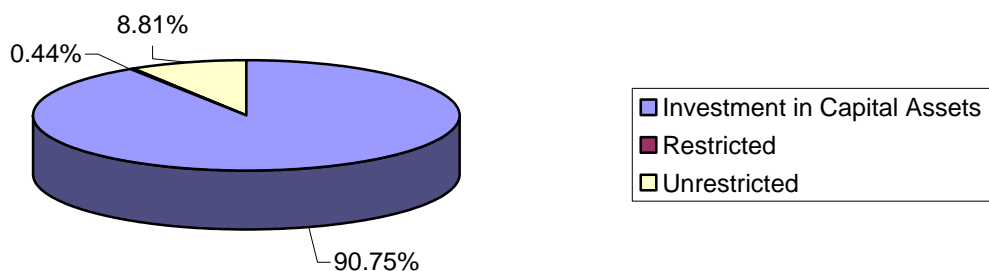
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Analysis of Net Assets June 30, 2003 and 2002 (in millions)

	<u>2003</u>	<u>2002</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Net Assets				
Invested in Capital Assets	\$ 16.59	\$ 17.48	\$ (0.89)	(.50%)
Restricted	1.20	0.08	1.12	1400.00%
Unrestricted	0.48	1.20	(0.72)	(60.00%)
Total Net Assets	<u>\$ 18.27</u>	<u>\$ 18.76</u>	<u>\$ (0.49)</u>	<u>(0.26%)</u>

The following is a graphic illustration of net assets.

Analysis of Net Assets



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Capital Assets, Net				
June 30, 2003 and 2002				
(in millions)				
	2003	2002	Increase (Decrease)	Percent Change
Capital Assets				
Land	\$ 0.56	\$ 0.56	\$ 0.00	0.00%
Buildings	18.55	18.55		
Machinery and Equipment	1.29	1.40	(0.11)	(8.14%)
Infrastructure	1.69	1.82	(0.13)	(7.25%)
CIP	0.03	0.01	0.02	361.54%
Total	22.12	22.34	(0.22)	(0.97%)
Less: Accumulated Depreciation	5.52	4.84	0.68	13.97%
Net Capital Assets	\$ 16.60	\$ 17.50	\$ (0.90)	(5.14%)

As of June 30, 2003, the College had recorded \$22.12 million invested in capital assets, \$5.52 million in accumulated depreciation, and \$16.60 in net capital assets.

The College had long-term debt of \$.26 million as of June 30, 2003. This balance is due to accrued compensated absences.

Brunswick Community College		
Statement of Net Assets		
June 30, 2003		Exhibit A
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	553,091.93
Restricted Cash and Cash Equivalents		120,528.55
Receivables, Net (Note 3)		127,668.56
Inventories		62,973.94
Prepaid Items		2,859.11
Notes Receivable, Net (Note 3)		1,201.00
Total Current Assets		868,323.09
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		634,461.85
Restricted Due from Primary Government		509,266.25
Capital Assets - Nondepreciable (Note 4)		589,754.68
Capital Assets - Depreciable, Net (Note 4)		16,005,858.88
Total Noncurrent Assets		17,739,341.66
Total Assets		18,607,664.75
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		96,802.29
Due to Primary Government		3,083.05
Deferred Revenue		(19,767.19)
Funds Held for Others		216.72
Long-Term Liabilities - Current Portion (Note 6)		7,265.86
Total Current Liabilities		87,600.73
Noncurrent Liabilities:		
Long-Term Liabilities (Note 6)		255,522.76
Total Noncurrent Liabilities		255,522.76
Total Liabilities		343,123.49
NET ASSETS		
Invested in Capital Assets		16,595,613.56
Restricted for:		
Expendable:		
Scholarships and Fellowships		(12,058.73)
Loans		2,995.81
Capital Projects		1,197,677.10
Unrestricted		480,313.52
Total Net Assets	\$	18,264,541.26
The accompanying notes to the financial statements are an integral part of this statement.		

<i>Brunswick Community College</i>		
<i>Statement of Revenues, Expenses, and</i>		
<i>Changes in Net Assets</i>		
<i>For the Fiscal Year Ended June 30, 2003</i>		<i>Exhibit B</i>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	\$	396,018.29
Federal Grants and Contracts		1,206,389.00
State and Local Grants and Contracts		397,969.31
Sales and Services		630,270.44
Total Operating Revenues		2,630,637.04
EXPENSES		
Operating Expenses:		
Personal Services		6,344,806.39
Supplies and Materials		1,013,521.20
Services		1,285,178.67
Scholarships and Fellowships		682,649.64
Utilities		385,212.10
Depreciation		675,309.28
Total Operating Expenses		10,386,677.28
Operating Loss		(7,756,040.24)
NONOPERATING REVENUES		
State Aid		4,549,811.13
County Appropriations		1,726,179.31
Noncapital Grants		196,105.54
Noncapital Gifts		51,113.00
Investment Income, Net		18,659.56
Other Nonoperating Revenues		217,267.61
Net Nonoperating Revenues		6,759,136.15
Loss Before Other Revenues, Expenses, Gains, and Losses		(996,904.09)
State Capital Aid		649,305.12
County Capital Appropriations		272,554.98
Decrease in Net Assets		(75,043.99)
NET ASSETS		
Net Assets, July 1, 2002 as Restated (Note 15)		18,339,585.25
Net Assets, June 30, 2003	\$	18,264,541.26
The accompanying notes to the financial statements are an integral part of this statement.		

<i>Brunswick Community College</i>		
<i>Statement of Cash Flows</i>		
<i>For the Fiscal Year Ended June 30, 2003</i>		<i>Exhibit C</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	\$	2,710,499.14
Payments to Employees and Fringe Benefits		(6,345,451.89)
Payments to Vendors and Suppliers		(2,698,837.42)
Payments for Scholarships and Fellowships		(619,317.97)
Other Receipts		217,484.33
Net Cash Used by Operating Activities		(6,735,623.81)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		4,376,610.49
County Appropriations		1,726,179.31
Noncapital Grants Received		253,478.41
Noncapital Gifts and Endowments Received		51,113.00
Net Cash Provided by Noncapital Financing Activities		6,407,381.21
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		273,162.59
County Capital Appropriations		272,554.98
Capital Grants Received		22,976.47
Acquisition and Construction of Capital Assets		(121,587.57)
Net Cash Provided by Capital and Related Financing Activities		447,106.47
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		18,659.56
Net Cash Provided by Investing Activities		18,659.56
Net Increase in Cash and Cash Equivalents		137,523.43
Cash and Cash Equivalents, July 1, 2002		1,170,558.90
Cash and Cash Equivalents, June 30, 2003	\$	1,308,082.33
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$	(7,756,040.24)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		675,309.28
Miscellaneous Nonoperating Income		217,267.61
Changes in Assets and Liabilities:		
Receivables, Net		162,960.96
Inventories		(25,771.37)
Prepaid Items		2,416.97
Accounts Payable and Accrued Liabilities		13,317.84
Due to Primary Government		3,083.05
Deferred Revenue		(19,767.19)
Funds Held for Others		216.72
Compensated Absences		(6,617.44)
Net Cash Used by Operating Activities	\$	(6,735,623.81)

<i>Brunswick Community College</i>		
<i>Statement of Cash Flows</i>		<i>Exhibit C</i>
<i>For the Fiscal Year Ended June 30, 2003</i>		<i>Page 2</i>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current Assets:		
	Cash and Cash Equivalents	\$ 553,091.93
	Restricted Cash and Cash Equivalents	120,528.55
Noncurrent Assets:		
	Restricted Cash and Cash Equivalents	634,461.85
	Total Cash and Cash Equivalents - June 30, 2003	\$ 1,308,082.33
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
	Increase in Receivables Related to Nonoperating Income	\$ 376,142.53
The accompanying notes to the financial statements are an integral part of this statement.		

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BRUNSWICK COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

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, 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 for which the College's Board of Trustees is financially accountable. Related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements. These entities are not included because they are separately incorporated and there are neither common directors nor other evidence of common control.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.
- D. Cash and Cash Equivalents** – This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and savings accounts.
- E. Receivables** – Receivables consist of tuition and fees, charges 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 and merchandise for resale, are stated at the lower of cost or market value using the first-in, first-out method.
- G. Capital Assets** – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.
- Depreciation is computed using the straight-line and/or units of output method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 50 years for buildings, and 2 to 25 years for equipment.
- H. Restricted Assets** – Unexpended capital contributions are classified as restricted assets because their use is limited by donor/grantor agreements. Certain other assets are classified as restricted because their 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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 January 1st or for which an employee can be paid upon termination of employment. 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 30th equals the leave carried forward at the previous December 31st plus the leave earned, less the leave taken between January 1st and June 30th.

In addition to the vacation leave described above, compensated absences includes the accumulated unused portion of the special annual leave bonus awarded by the College to all full-time permanent employees as of September 30, 2002. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above.

When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out method.

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

Invested in Capital Assets – This represents the College's total investment in capital assets.

Restricted Net Assets – Expendable – Expendable restricted net assets include resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Assets – Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

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

- L. Scholarship Discounts** – Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - DEPOSITS

All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with 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 or with the State Treasurer's Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$730.00. The carrying amount of cash on deposit was \$1,307,352.33 and the bank balance was \$1,506,358.12. All of the cash was on deposit with private financial institutions.

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.

The financial statements and disclosures for the State Treasurer's Investment Pool are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Of the cash on deposit with private financial institutions at June 30, 2003, \$200,000.00 of the bank balance was covered by federal depository insurance, and \$1,306,358.12 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - RECEIVABLES

Receivables at June 30, 2003 were as follows:

	Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 62,558.34	\$ 1,294.00	\$ 61,264.34
Intergovernmental	48,122.25		48,122.25
Other	18,281.97		18,281.97
Total Current Receivables	<u>128,962.56</u>	<u>1,294.00</u>	<u>127,668.56</u>
Noncurrent Receivables:			
Restricted Due from Primary Government	\$ 509,266.25	\$ 0.00	\$ 509,266.25
Notes Receivable - Current:			
Institutional Student Loan Programs	\$ 1,201.00	\$ 0.00	\$ 1,201.00

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2003, is presented as follows:

	Balance July 1, 2002	Adjustments	Increases	Balance June 30, 2003
Capital Assets, Nondepreciable:				
Land	\$ 555,658.85	\$ 0.00	\$ 0.00	\$ 555,658.85
Construction in Progress	6,451.50		27,644.33	34,095.83
Total Capital Assets, Nondepreciable	<u>562,110.35</u>		<u>27,644.33</u>	<u>589,754.68</u>
Capital Assets, Depreciable:				
Buildings	18,551,357.19	(3,553.42)		18,547,803.77
Machinery and Equipment	1,407,753.23	(223,957.85)	102,366.54	1,286,161.92
General Infrastructure	1,824,287.46	(135,731.47)		1,688,555.99
Total Capital Assets, Depreciable	<u>21,783,397.88</u>	<u>(363,242.74)</u>	<u>102,366.54</u>	<u>21,522,521.68</u>
Less Accumulated Depreciation:				
Buildings	3,737,063.89		470,659.80	4,207,723.69
Machinery and Equipment	796,224.86		114,971.08	911,195.94
General Infrastructure	308,064.77		89,678.40	397,743.17
Total Accumulated Depreciation	<u>4,841,353.52</u>		<u>675,309.28</u>	<u>5,516,662.80</u>
Total Capital Assets, Depreciable, Net	<u>16,942,044.36</u>	<u>(363,242.74)</u>	<u>(572,942.74)</u>	<u>16,005,858.88</u>
Capital Assets, Net	<u>\$ 17,504,154.71</u>	<u>\$ (363,242.74)</u>	<u>\$ (545,298.41)</u>	<u>\$ 16,595,613.56</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2003 were as follows:

	<u>Amount</u>
Accounts Payable	\$ 45,679.93
Accrued Payroll	21,720.56
Contract Retainage	20,010.20
Intergovernmental Payables	9,229.18
Other	<u>162.42</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 96,802.29</u>

NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities is presented as follows:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2003</u>	<u>Current Portion</u>
Compensated Absences	<u>\$ 271,406.06</u>	<u>\$ 26,774.44</u>	<u>\$ 35,391.88</u>	<u>\$ 262,788.62</u>	<u>\$ 7,265.86</u>

NOTE 7 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2003:

<u>Fiscal Year</u>	<u>Amount</u>
2004	\$ 35,414.60
2005	26,177.60
2006	<u>8,470.30</u>
Total Minimum Lease Payments	<u>\$ 70,062.50</u>

Rental expense for all operating leases during the year was \$45,010.84.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Net Revenues
Operating Revenues:			
Student Tuition and Fees	\$ 962,157.09	\$ 566,138.80	\$ 396,018.29

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Personal Services	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 3,592,846.91	\$ 196,390.08	\$ 396,368.13	\$ 0.00	\$ 3,652.21	\$ 0.00	\$ 4,189,257.33
Academic Support	502,939.15	12,090.94	50,809.16				565,839.25
Student Services	294,045.44	17,157.09	113,036.08				424,238.61
Institutional Support	1,358,235.39	280,661.85	270,206.42				1,909,103.66
Operations and Maintenance of Plant	596,739.50	498,712.61	263,342.54		381,559.89		1,740,354.54
Student Financial Aid				682,649.64			682,649.64
Auxiliary Enterprises		8,508.63	191,416.34				199,924.97
Depreciation						675,309.28	675,309.28
Total Operating Expenses	\$ 6,344,806.39	\$ 1,013,521.20	\$ 1,285,178.67	\$ 682,649.64	\$ 385,212.10	\$ 675,309.28	\$ 10,386,677.28

NOTE 10 - PENSION PLANS

A. Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (System) is a cost sharing multiple-employer defined benefit pension plan administered by the North Carolina State Treasurer.

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2003, the General Assembly required no contribution by employers and 6% of covered payroll for members.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2003, the College had a total payroll of \$6,299,764.50, of which \$3,945,527.96 was covered under the Teachers' and State Employees' Retirement System. Total employee contributions for pension benefits for the year were \$236,731.65. No employer contributions were required. The College made one hundred percent of its annual required contributions for the years ended June 30, 2003, 2002, and 2001, which were \$0.00, \$79,850.78, and \$195,415.55, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

B. Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$2,400.00 for the year ended June 30, 2003.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College except for a 5% employer contribution 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, 2003 were \$1,154.80.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$89,128.36 for the year ended June 30, 2003.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Care for Long-Term Disability Beneficiaries and Retirees -** The College participates in State-administered programs which provide 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. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The College contributed 2.35% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended June 30, 2003, the College's total contribution to the Plan was \$92,719.93. 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*.
- B. Long-Term Disability -** The College participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The College contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. For the fiscal year ended June 30, 2003, the College's total contribution to the DIPNC was \$20,516.75. 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*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 - RISK MANAGEMENT

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

Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$11,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the North Carolina Community College System Office directly to the private insurer.

Fire and other property losses are covered by the Public School Insurance Fund, a State-administered public entity risk pool. This fund is financed by premiums and interest and incurs a \$10 million self-insured deductible per occurrence, subject to a \$20 million annual aggregate. Reinsurance is purchased by the fund to cover catastrophic events in excess of the \$10 million deductible. 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 used for instructional purposes are covered by liability insurance handled by the State Department of Insurance. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible. For employees paid in whole or in part from County and institutional funds, the College is covered by contracts with private insurance companies.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan (Plan), a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third-party contractor.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Term life insurance of \$25,000 to \$50,000 is provided to eligible workers. This self-insured death benefit program is administered by the State Treasurer and funded via employer contributions.

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES

- A. **Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$26,703.46 and on other purchases were \$31,961.65 at June 30, 2003.
- 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.
- C. **Community College General Obligation Bonds** – The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The funds authorized are to be used solely to construct new buildings and to renovate and modernize existing buildings on the North Carolina Community College System campuses. The bond legislation specifies the amount of bond funding for each College campus as well as the intended amount for new construction and repair and replacement. The legislation further provides that the State Board of Community Colleges shall be responsible for the approval of projects in accordance with provisions of the legislation. The bonds were authorized for issuance over a six-year period beginning in 2001 at a level not to exceed amounts provided in the legislation. Using a cash flow financing approach, The Community College System's Office (CCSO)

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

establishes annual amounts not to exceed for each approved project. The amounts not to exceed are subject to change due to actual cash availability and needs during the year. Subsequent to the bond sales and the availability of bond proceeds, CCSO notifies the Office of State Budget and Management (OSBM) of the amount not to exceed for the total of the approved projects. Within this amount, based on an official request of cash needs from the State Board of Community Colleges, OSBM authorizes allotments. These allotments are then recorded to specific community college allotment accounts by the CCSO. The College records the allotments as revenue on the accompanying financial statements. The College's remaining authorization of \$523,427.00 is contingent on future bond sales and CCSO allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

NOTE 14 - BRUNSWICK COMMUNITY COLLEGE FOUNDATION, INC.

The Brunswick Community College Foundation, Inc. is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net assets, or operational transactions of the Foundation, except for the distributions made and benefits provided by the Foundation. The distributions received and/or benefits provided approximated \$230,328.00 for the year ended June 30, 2003.

NOTE 15 - NET ASSET RESTATEMENT

As of July 1, 2002, net assets as previously reported was restated as follows:

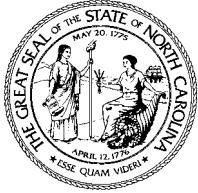
	<u>Amount</u>
July 1, 2002 Net Assets as Previously Reported	\$ 18,756,853.35
Restatements To Reconcile Fixed Assets Subsidiary	<u>(417,268.10)</u>
July 1, 2002 Net Assets as Restated	<u><u>\$ 18,339,585.25</u></u>

***Brunswick Community College
Schedule of General Obligation Bond Project Authorizations,
Budgets, and Expenditures
For Project-to-Date as of June 30, 2003***

Schedule 1

Capital Improvement Projects	Projected Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Expected Completion Date
<i>Projects Approved by the State Board</i>							
Technical and Trades Building - Project 914	Feb 2001	\$ 881,285.00	\$ 473,945.00	\$ 1,355,230.00	\$ 1,349,592.99	99.58%	Aug 2003
Bundled Repair and Renovation - Project 1342	Jun 2003	535,433.00		535,433.00			Jul 2004
Total All Projects		\$ 1,416,718.00	\$ 473,945.00	\$ 1,890,663.00	\$ 1,349,592.99		

Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The projects listed on this schedule are those funded or to be funded by bond proceeds from the general obligation bonds authorized by Senate Bill 912.



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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

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

Board of Trustees
Brunswick Community College
Supply, North Carolina

We have audited the financial statements of Brunswick Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2003, and have issued our report thereon dated April 8, 2004.

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.

Compliance

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 grants, 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

This report is intended solely for the information and use of the Board of Trustees and the State Board of Community Colleges, management and staff of the College, the Governor, the State Controller, the General Assembly, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Ralph Campbell, Jr.

Ralph Campbell, Jr.
State Auditor

April 8, 2004

DISTRIBUTION OF AUDIT REPORT

In accordance with General Statutes 147-64.5 and 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
Mr. H. Martin Lancaster	President, North Carolina Community College System
Dr. W. Michael Reaves	President, Brunswick Community College
Dr. Benjamin A. DeBlois	Vice President for Administrative Services Brunswick Community College
Ms. Lynda Stanley	Chairperson, Board of Trustees Brunswick Community College

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Mr. James D. Johnson	Director, Fiscal Research Division
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June 28, 2004

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20601 Mail Service Center
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