

# STATE OF NORTH CAROLINA

**BEAUFORT COUNTY COMMUNITY COLLEGE**

**WASHINGTON, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2013**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**BEAUFORT COUNTY COMMUNITY COLLEGE**

**WASHINGTON, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2013**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

**DR. R. SCOTT RALLS, PRESIDENT**

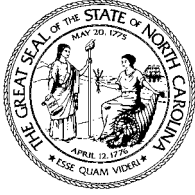
**BOARD OF TRUSTEES**

**RUSSELL SMITH, CHAIRMAN**

**ADMINISTRATIVE OFFICERS**

**DR. BARBARA TANSEY, PRESIDENT**

**MARK NELSON, VICE PRESIDENT OF ADMINISTRATIVE SERVICES**



**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

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

---

**AUDITOR'S TRANSMITTAL**

---

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

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

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

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

A handwritten signature in black ink that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

# TABLE OF CONTENTS

---

	PAGE
INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS	
College Exhibits	
A-1 Statement of Net Position .....	13
A-2 Statement of Revenues, Expenses, and Changes in Net Position.....	14
A-3 Statement of Cash Flows .....	15
Notes to the Financial Statements .....	17
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i> .....	35
ORDERING INFORMATION .....	37

# Office of the State Auditor



**Beth A. Wood, CPA**  
State Auditor

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

## INDEPENDENT AUDITOR'S REPORT

---

Board of Trustees  
Beaufort County Community College  
Washington, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of Beaufort County Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Beaufort County Community College Foundation, Inc., which represent 8.4 percent, 8.8 percent, and 2.4 percent, respectively, of the assets, net position, and revenues of the College. 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 Beaufort County Community College Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Beaufort County Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

---

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

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

### Opinion

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

### Other Matters – Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

---

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 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.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

May 20, 2014

[ This page left blank intentionally. ]



## **BEAUFORT COUNTY COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

Beaufort County Community College is one of the 58 community colleges in the North Carolina Community College System. The College's service area includes Beaufort, Hyde, Tyrrell, and parts of Washington Counties. The College offers both curriculum and continuing education classes.

This section of Beaufort County Community College's financial statements presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2013. This section should be read in conjunction with the College's basic financial statements and the related notes.

### **Basic Financial Statements**

The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. The financial statements are accompanied by Notes to the Financial Statements that explain some of the information in the financial statements and provide more detail.

**Statement of Net Position:** The Statement of Net Position presents a fiscal snapshot of the College as of June 30, 2013, and includes all assets and liabilities of the College. The focus of the Statement of Net Position is designed to be similar to bottom line results of the College. Assets and liabilities are divided into their current and non-current portions to give the users of these statements insight into the financial position of the College.

**Statement of Revenues, Expenses, and Changes in Net Position:** Changes in total Net Position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. Revenues and expenses are presented in a classified format to distinguish between operating and non-operating revenues and expenses.

**Statement of Cash Flows:** The Statement of Cash Flows provides detail on the cash activity for the year. The College uses the direct method to present cash flows.

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

### **Condensed Financial Statements and Financial Analysis**

This segment of the Management Discussion and Analysis gives information about the basic financial statements. Charts and graphs are utilized to provide further clarification.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Analysis of the Statement of Net Position

#### Condensed Statement of Net Position

(Dollars in Thousands)

	<u>2013</u>	<u>2012</u> (as restated)	<u>Variance</u>
<b>Assets</b>			
Current Assets	\$ 1,421	\$ 1,685	\$ (264)
Capital Assets	20,158	19,818	340
Other Assets	<u>2,850</u>	<u>2,972</u>	<u>(122)</u>
<b>Total Assets</b>	<u>\$ 24,429</u>	<u>\$ 24,475</u>	<u>\$ (46)</u>
<b>Liabilities</b>			
Current Liabilities	683	632	51
Long-Term Liabilities	<u>483</u>	<u>444</u>	<u>39</u>
<b>Total Liabilities</b>	<u>\$ 1,166</u>	<u>\$ 1,076</u>	<u>\$ 90</u>
<b>Net Position</b>			
Invested in Capital Assets	20,157	19,818	339
Restricted	2,524	3,496	(972)
Unrestricted	<u>581</u>	<u>85</u>	<u>496</u>
<b>Total Net Position</b>	<u>\$ 23,262</u>	<u>\$ 23,399</u>	<u>\$ (137)</u>

Net position decreased by approximately \$137 thousand during fiscal year 2013. The majority of the decrease was related to depreciation and grant expenditures. Total assets decreased by approximately \$46 thousand during the year. Current assets decreased \$264 thousand mostly due to the purchase of \$200 thousand in investments during the current fiscal year. Other assets decreased \$122 thousand dollars due to a decrease in amounts due from the State of North Carolina of \$1.1 million with the completion of the Allied Health and Nursing Building. The decrease was offset mainly by increases of \$491 thousand due to the College from the Golden LEAF Foundation and \$200 thousand in investment purchases previously mentioned.

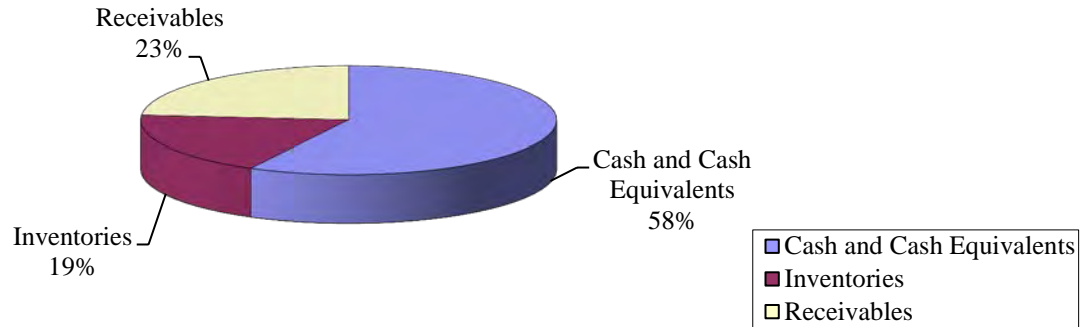
Liabilities increased slightly by \$90 thousand. Most of this increase was related to a \$22 thousand increase in accounts payable, a \$24 thousand increase in accrued payroll, and a \$23 thousand increase in compensated absences.

Net position showed an approximate \$1 million dollar decrease in restricted assets with substantial corresponding increases of \$339 thousand in net position invested in capital assets and \$496 thousand in unrestricted net position. This large variance was mostly attributed to the numerous grants that the College has been awarded. The increase to capital assets represents the capitalized and non-capitalized equipment and supplies purchased through the restricted grant funds. During the year, the College was awarded another Golden LEAF grant. This \$188 thousand grant was awarded to provide needed equipment, supplies, and repairs for BCCC's Truck Driving program.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

---

**Current Assets**



The chart above demonstrates how the current assets of the College were distributed. Receivables and inventories remained the same percentage when compared to last year.

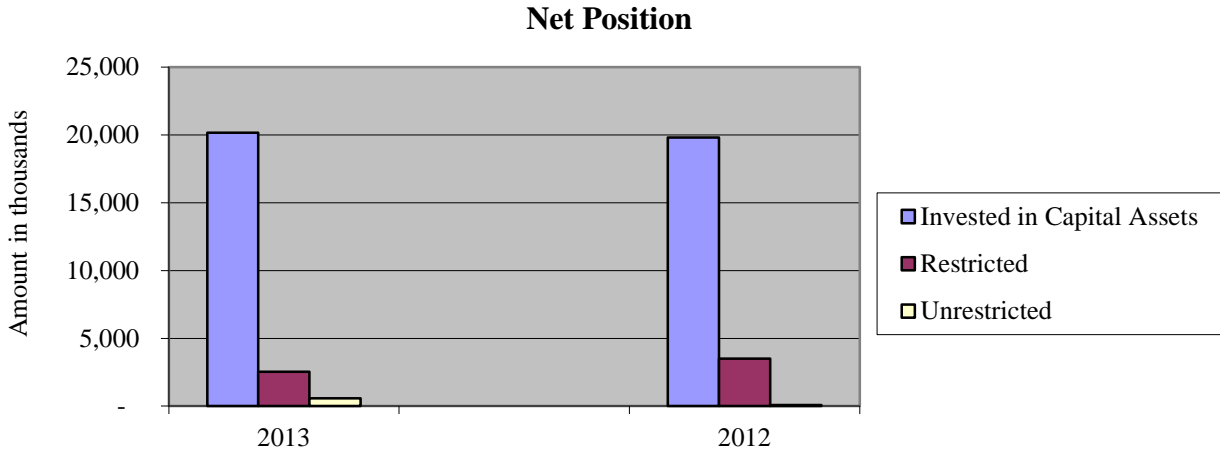
**Liabilities**

*(Dollars in Thousands)*

	<u>2013</u>	<u>2012</u>	<u>Variance</u>
Accounts Payable	\$ 131	\$ 109	\$ 22
Accrued Payroll	450	426	24
Unearned Revenue	45	28	17
Funds Held for Others	8	4	4
Compensated Absences	<u>532</u>	<u>509</u>	<u>23</u>
Total Liabilities	<u>\$ 1,166</u>	<u>\$ 1,076</u>	<u>\$ 90</u>

Total liabilities increased by \$90 thousand during the year. Accounts payable increased \$22 thousand mainly due to a substantial increase in bookstore payables. The increase in unearned revenue stems from a sizeable increase in summer semester enrollment when compared to last year. The overall increase in accrued payroll is attributed to increases in the employer retirement and other employee benefit plans contribution rate contribution and a 1.2% pay increase approved by the State Legislators. The overall employer contribution rate increased to 14.23% from 13.12% for fiscal year 2012. Compensated absences increased due to an accumulated 1,050 hour increase in the total hours that may be compensated.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**



Total invested in capital assets showed a slight increase. This is mainly attributed to the substantial equipment purchases the College made during the year. These purchases were mainly funded through the North Carolina Advance Manufacturing Alliance Grant (NCAMA) and the Golden LEAF grant for the Allied Health and Nursing Building. The increase to unrestricted net position stemmed from the generous unrestricted donation mentioned earlier that the Foundation received. The decrease in restricted net position is due to the large decrease in restricted grant receivables related to the construction of the Allied Health and Nursing Building completed last year.

**Analysis of the Statement of Revenues, Expenses, and Changes in Net Position**

**Analysis of Operating Revenues**

*(Dollars in Thousands)*

	<u>2013</u>	<u>2012</u>	<u>Variance</u>
<b>Operating Revenues</b>			
Student Tuition and Fees, Net	\$ 1,065	\$ 1,100	\$ (35)
Sales and Services, Net	518	485	33
Other	<u>2</u>	<u>2</u>	
Total Operating Revenues	<u>\$ 1,585</u>	<u>\$ 1,587</u>	<u>\$ (2)</u>

Total operating revenues showed a slight decrease of \$2 thousand. Tuition decreased slightly even though the College's student count increased. However, the \$35 thousand decrease in tuition was almost fully offset by an increase from the campus's sales and services. The bookstore represents the majority of the revenues related to sales and services.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Analysis of Operating Expenses

(Dollars in Thousands)

	<u>2013</u>	<u>2012</u>	<u>Variance</u>
<b>Operating Expenses</b>			
Personal Services	\$ 11,902	\$ 11,561	\$ 341
Supplies and Materials	3,540	2,549	991
Services	1,227	920	307
Scholarships and Fellowships	2,751	2,905	(154)
Other	1,190	1,056	134
Total Operating Expenses	<u>\$ 20,610</u>	<u>\$ 18,991</u>	<u>\$ 1,619</u>

Operating expenses increased substantially by approximately \$1.6 million from fiscal year 2012. This increase stems mainly from the Golden LEAF and NCAMA grants that were awarded in 2012 and used in 2013. Approximately \$873 thousand was expended to benefit the Allied Health and Nursing Building through the Golden LEAF grant. Over \$1.2 million was expended to strengthen industrial programs through the NCAMA grant.

Personal services expenses increased primarily as a result of higher employer retirement and other employee benefit plans contribution rate. The total employer contribution rate increased from 13.12% for fiscal year 2012 to 14.23% for fiscal year 2013.

Expenses for supplies and materials increased by almost \$1 million. This considerable increase in expense was funded by approximately \$950 thousand of the abovementioned grants and was used to purchase non-capitalized equipment. The \$307 thousand increase in services was mainly due to increases from instruction (\$110 thousand), academic support (\$90 thousand), and institutional support (\$64 thousand). Maintenance and service contracts for the new equipment purchases made up the majority of the increases to instruction and academic support. Increases in advertising, insurance, and campus maintenance represented the \$64 thousand increase to institutional support services.

The lone decrease of approximately \$154 thousand was attributed to an approximate \$60 thousand decrease in Pell awards and a \$56 thousand decrease in North Carolina Community College System scholarships. The \$134 thousand increase to other operating expenses was related to a \$43 thousand increase in utilities and a \$90 thousand increase in depreciation. Both of these increases were largely attributed to the new Allied Health Building which opened during the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Analysis of Nonoperating Revenues and Expenses

*(Dollars in Thousands)*

	<u>2013</u>	<u>2012</u>	<u>Variance</u>
<b>Nonoperating Revenues and Expenses</b>			
State Aid	\$ 8,484	\$ 8,134	\$ 350
County Appropriations	2,149	1,974	175
State Capital Aid	339	617	(278)
County Capital Appropriations	166	140	26
Grants and Contracts	7,307	12,373	(5,066)
Additions to Endowments	69	12	57
Other	374	135	239
<b>Total Nonoperating Revenues</b>	<u>\$ 18,888</u>	<u>\$ 23,385</u>	<u>\$ (4,497)</u>

Nonoperating revenues decreased significantly by \$4.5 million. Overall, the decrease was related to the drop in capital funding that occurred when the Allied Health Building was finished. The slight increase of \$350 thousand in state aid represents a higher amount of state support for operational expenditures. State capital aid decreased by \$278 thousand. The decrease is attributed to a drop in capital aid needed due to the NCAMA and Golden LEAF grants. These grants helped to subsidize needed equipment for the programs mentioned earlier thereby reducing the need for state capital aid. County appropriations increased by \$175 thousand when compared to last year. The increase was attributed to the higher cost associated with the new Allied Health and Nursing Building. County capital appropriations increased slightly by \$26 thousand to fund campus infrastructure improvements. The large decrease of \$5.066 million in grants and contracts stemmed from a \$5.1 million decrease in capital grants related to the new Allied Health and Nursing Building. There were several new endowments created this past fiscal year. Those endowments represented the majority of the \$57 thousand increase to endowments. Other nonoperating revenues increased as a result of a noncapital gift received by the College of \$270 thousand.

### Analysis of Capital Assets

#### Capital Assets

*(Dollars in Thousands)*

	<u>2013</u>	<u>2012</u>	<u>Variance</u>
<b>Capital Assets</b>			
Land	\$ 370	\$ 370	\$ 0
Buildings, Net	16,080	16,537	(457)
Machinery and Equipment, Net	2,814	1,988	826
General Infrastructure, Net	894	923	(29)
<b>Total Capital Assets, Net</b>	<u>\$ 20,158</u>	<u>\$ 19,818</u>	<u>\$ 340</u>

Capital assets increased by \$340 thousand during fiscal year 2013. The \$457 thousand decrease in buildings was related to the depreciation recognized. The \$826 thousand increase to machinery and equipment represented the abundance of equipment purchases related to the capital grants that were active during the year, including \$975 thousand was purchased with

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)**

---

the NCAMA and Golden LEAF grant. Some of the items purchased include; a robotic welder at a cost of approximately \$112 thousand, network upgrades at a cost of \$241 thousand, a lathe at a cost of \$59 thousand, 14 stretchers at a costs of \$81 thousand total, a simman at a cost of \$69 thousand, a simbaby at a cost of \$28 thousand, 3 medstations at a cost of \$82 thousand total, machining equipment at a cost of \$42 thousand, 3 sonic foundry recorders at \$41 thousand, and a wireless radio carousel at \$21 thousand.

### **Analysis of the Overall Financial Position**

Beaufort County Community College is well positioned to meet the needs of its growing community. The College strives to maintain a strong financial base and will continue to be an asset to its service area for many years.

### **Future Financial Influences**

The College's financial position continues to be affected by various funding issues. Beaufort County continues to provide strong financial support for the College; however, the overall budget provided for the College for fiscal year 2014 will remain comparable to the funding in 2013. There is also the possibility that state funding may decrease in future years. The State's fiscal situation continues to provide uncertainty for the amount of state funding to be received by BCCC.

The Golden LEAF Community Assistance Initiative awarded \$188 thousand to the College in December to strengthen the Truck Driving program. As of June 30<sup>th</sup>, 2013, approximately \$172 thousand was expended for the Truck Driving program. These funds were used to purchase trucks, trailers and needed repairs for the program.

The U.S. Department of Education has modified the funding cycle for our student support services (TRIO) grant and BCCC has been awarded the TRIO grant for a 5-year performance period. Due to federal sequestration, the TRIO grant awarded was lowered from \$339 thousand during 2013 to \$321 thousand for 2014. TRIO provides funds annually for tutorial services along with academic, career, financial aid and personal counseling.

Community colleges continue to be an affordable option for local communities. After record enrollments during the past few years, the overall numbers have started to level off or decline slightly. Unemployment rates continue to affect enrollment. The most recent figures have North Carolina's unemployment rate at 8.8 percent, compared to the national average of 7.3 percent. The unemployment rate has shown a downward trend during the last year and it may cause a downward trend in enrollment going into the future.

### **Contacting the College's Financial Management**

Our financial statements are designed to provide the citizens of North Carolina with a general overview of the College's finances and show accountability of all funds received. If you have any questions or need additional financial information, please contact Beaufort County Community College at (252) 940-6214.

[ This page left blank intentionally. ]



**Beaufort County Community College**  
**Statement of Net Position**  
**June 30, 2013**

**Exhibit A-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 427,469.19
Restricted Cash and Cash Equivalents	441,486.72
Receivables, Net (Note 4)	271,952.88
Inventories	280,217.95
	<hr/>
Total Current Assets	1,421,126.74

Noncurrent Assets:

Restricted Cash and Cash Equivalents	115,179.86
Intergovernmental Receivables	82,909.67
Restricted Due from Primary Government	135,081.77
Restricted Due from State of North Carolina Component Units	491,148.50
Restricted Investments	1,791,567.27
Other Investments	235,108.49
Capital Assets - Nondepreciable (Note 5)	369,899.72
Capital Assets - Depreciable, Net (Note 5)	19,787,556.49
	<hr/>
Total Noncurrent Assets	23,008,451.77

Total Assets	<hr/> <hr/> 24,429,578.51
--------------	---------------------------

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows of Resources	<hr/> 0.00
--------------------------------	------------

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	581,628.97
Unearned Revenue	44,616.39
Long-Term Liabilities - Current Portion (Note 7)	57,000.24
	<hr/>
Total Current Liabilities	683,245.60

Noncurrent Liabilities:

Funds Held for Others	7,671.11
Long-Term Liabilities (Note 7)	475,392.75
	<hr/>
Total Noncurrent Liabilities	483,063.86

Total Liabilities	<hr/> <hr/> 1,166,309.46
-------------------	--------------------------

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows of Resources	<hr/> 0.00
-------------------------------	------------

**NET POSITION**

Investment in Capital Assets	20,157,456.21
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	1,624,916.48
Expendable:	
Scholarships and Fellowships	181,604.63
Loans	1,544.62
Capital Projects	291,008.05
Specific Programs - Nursing Program	354,307.04
Other	70,917.55
Unrestricted	<hr/> 581,514.47
Total Net Position	<hr/> <hr/> <hr/> \$ 23,263,269.05

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

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

***Exhibit A-2***

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net (Note 8)	\$ 1,064,688.48
Sales and Services, Net (Note 8)	518,303.19
Other Operating Revenues	2,433.54

Total Operating Revenues	1,585,425.21
--------------------------	--------------

**EXPENSES**

Operating Expenses:

Salaries and Benefits	11,901,888.07
Supplies and Materials	3,540,464.46
Services	1,226,785.91
Scholarships and Fellowships	2,751,309.71
Utilities	433,248.21
Depreciation	756,306.98

Total Operating Expenses	20,610,003.34
--------------------------	---------------

Operating Loss	(19,024,578.13)
----------------	-----------------

**NONOPERATING REVENUES (EXPENSES)**

State Aid	8,484,907.82
County Appropriations	2,148,949.00
Noncapital Grants - Student Financial Aid	5,393,147.67
Noncapital Grants	347,543.45
Noncapital Gifts	269,495.11
Investment Income	150,458.77
Other Nonoperating Expenses	(46,387.27)

Net Nonoperating Revenues	16,748,114.55
---------------------------	---------------

Loss Before Other Revenues	(2,276,463.58)
----------------------------	----------------

State Capital Aid	339,359.16
County Capital Aid	165,500.00
Capital Grants	1,565,800.24
Additions to Endowments	69,447.00

Decrease in Net Position	(136,357.18)
--------------------------	--------------

**NET POSITION**

Net Position, July 1, 2012	23,399,626.23
----------------------------	---------------

Net Position, June 30, 2013	\$ 23,263,269.05
-----------------------------	------------------

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

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

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 1,626,089.10
Payments to Employees and Fringe Benefits	(11,853,816.94)
Payments to Vendors and Suppliers	(5,180,187.58)
Payments for Scholarships and Fellowships	(2,751,309.71)
Other Receipts	2,124.67
	<hr/>
Net Cash Used by Operating Activities	(18,157,100.46)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	8,484,907.82
County Appropriations	2,148,949.00
Noncapital Grants - Student Financial Aid	5,434,221.18
Noncapital Grants Received	347,543.45
Noncapital Gifts and Endowments Received	338,942.11
	<hr/>
Cash Provided by Noncapital Financing Activities	16,754,563.56

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

State Capital Aid Received	1,447,809.00
County Capital Aid	165,500.00
Capital Grants Received	991,742.07
Proceeds from Sale of Capital Assets	3,851.43
Acquisition and Construction of Capital Assets	(1,143,767.60)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	1,465,134.90

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	45,536.10
Purchase of Investments	(241,833.56)
	<hr/>
Net Cash Used by Investing Activities	(196,297.46)

Net Decrease in Cash and Cash Equivalents	(133,699.46)
Cash and Cash Equivalents, July 1, 2012	1,117,835.23
	<hr/>
Cash and Cash Equivalents, June 30, 2013	\$ 984,135.77

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

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

**RECONCILIATION OF OPERATING LOSS  
TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (19,024,578.13)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	756,306.98
Miscellaneous Nonoperating Income	(1,927.68)
Changes in Assets and Liabilities:	
Receivables, Net	23,941.10
Inventories	(1,123.26)
Accounts Payable and Accrued Liabilities	48,529.99
Due to Primary Government	(2,448.00)
Due to State of North Carolina Component Units	(100.00)
Unearned Revenue	16,722.79
Funds Held for Others	4,052.35
Compensated Absences	23,523.40
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (18,157,100.46)</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 427,469.19
Restricted Cash and Cash Equivalents	441,486.72
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	115,179.86
	<hr/>
Total Cash and Cash Equivalents - June 30, 2013	<u><u>\$ 984,135.77</u></u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Change in Fair Value of Investments	104,922.67
Increase in Receivables Related to Nonoperating Income	532,984.66
Loss on Disposal of Capital Assets	(44,459.59)

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

**BEAUFORT COUNTY 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. Beaufort County 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. Related foundations and similar nonprofit corporations for which the College is not financially accountable or for which the nature of their relationship is not considered significant to the College are not part of the accompanying financial statements.

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 blended in the College's financial statements. The blended component units, although legally separate, is, in substance, part of the College's operations and therefore, are reported as if they were part of the College.

**Blended Component Unit** - Although legally separate, Beaufort Community College Foundation, Inc. (Foundation) is reported as if it was part of the College. The Foundation is governed by a 27-member board consisting of 3 ex officio directors and 24 elected directors. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the elected directors of the Foundation are appointed by the members of the Beaufort County Community College Board of Trustees and the Foundation's sole purpose is to benefit Beaufort County Community College, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the Beaufort County Community College Accounting Office, P.O. Box 1069, Washington, NC 27889, or by calling (252) 940-6214. Other

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

Condensed combining information regarding blended component units is provided in Note 14.

- 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, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

- E. Investments** - Investments generally are reported at fair value, as determined by quoted market prices or estimated amounts determined by management if quoted market prices are not available. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

- F. 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.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.
- H. 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 and/or units of output method over the estimated useful lives of the assets, generally 10 to 50 years for general infrastructure, 15 to 50 years for buildings, and 5 to 25 years for equipment.

- I. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources whose use is limited by external parties or statute, and endowment and other restricted investments.
- J. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- K. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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 calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave. There is no liability for unpaid accumulated sick leave because the College has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

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

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

**Restricted Net Position - Nonexpendable** - Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

**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.

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

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

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions 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.

- O. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as bookstore sales. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- P. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use by the College.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE 2 - DEPOSITS AND INVESTMENTS

- 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 \$1,325.00. The carrying amount of the College's deposits not with the State Treasurer was \$177,368.55, and the bank balance was \$176,722.22.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

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

- B. Investments** - In addition to donated securities and real estate held by the College, the College is authorized to invest idle funds as provided by G.S. 115D-58.6. In accordance with this statute, the College and the Board of Trustees manage investments to ensure they can be converted into cash when needed.

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6 (d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3 (STIF); obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2013, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$805,442.22, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.6 years as of June 30, 2013. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) 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.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to G.S. 147-69.2. This statute authorizes investments for special funds held by the State Treasurer and includes the following investments: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit of specified institutions; prime quality commercial paper; asset-backed securities and corporate bonds/notes with specified ratings; general obligations of other states; and general obligations of North Carolina local governments.

All investments are held by the College's blended component unit, Beaufort County Community College Foundation, Inc. Investments of the Foundation are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements.

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2013, for the College's

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

investments. Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. The Foundation's investment policy recommends that the investment committee avoid bunching the maturity dates of its investments. Additionally, the policy sets defined limit amounts for the types of investment to be held.

Investments		
Investment Type	Fair Value	Investment Maturities (In Years) 1 to 5
Debt Securities		
Mutual Bond Funds	\$ 298,305.34	\$ 298,305.34
<b>Total Debt Securities</b>		<b>\$ 298,305.34</b>
Other Securities		
Mutual Funds	1,727,618.51	
Other	751.91	
<b>Total Investments</b>	<b>\$ 2,026,675.76</b>	

In addition to the interest rate risk disclosed above, the Foundation's investments include investments with fair values highly sensitive to interest rate changes.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy lists authorized investment categories and defines quantity and limit amounts. The policy states that mutual fund shares must be registered with the SEC and its investments must be restricted to those that conform to regulations.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation's investment policy states that all securities are to be kept in safekeeping with the authorized investment advisors approved by the Board. The Foundation's investments were not exposed to custodial credit risk.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

A reconciliation of the disclosed deposits and investments to the basic financial statements as of June 30, 2013, is as follows:

Cash on Hand	\$	1,325.00
Carrying Amount of Deposits with Private Financial Institutions		177,368.55
Investments in the Short-Term Investment Fund		805,442.22
Other Investments		<u>2,026,675.76</u>
<b>Total Deposits and Investments</b>	<b>\$</b>	<b><u><u>3,010,811.53</u></u></b>
Current:		
Cash and Cash Equivalents	\$	427,469.19
Restricted Cash and Cash Equivalents		441,486.72
Noncurrent:		
Restricted Cash and Cash Equivalents		115,179.86
Restricted Investments		1,791,567.27
Other Investments		<u>235,108.49</u>
<b>Total Deposits and Investments</b>	<b>\$</b>	<b><u><u>3,010,811.53</u></u></b>

### NOTE 3 - ENDOWMENT INVESTMENTS

Investments of the College's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements.

However, a majority of the College's endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure.

Investment return of the College's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the College's endowment funds are based on an adopted spending policy which limits spending between 80% of the prior year interest earnings unless the donor has stipulated otherwise. At June 30, 2013, net appreciation of \$237,753.94 was available to be spent, all of which was classified in restricted net position as expendable for scholarships and fellowships as it is restricted for these specific purposes.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2013, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 172,837.36	\$ 67,480.67	\$ 105,356.69
Student Sponsors	26,125.44		26,125.44
Accounts	128,429.16		128,429.16
Intergovernmental	12,041.59		12,041.59
	<b>Total Current Receivables</b>	<b>\$ 67,480.67</b>	<b>\$ 271,952.88</b>

### NOTE 5 - 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	\$ 369,899.72	\$ 0.00	\$ 0.00	\$ 369,899.72
<b>Total Capital Assets, Nondepreciable</b>	<b>369,899.72</b>			<b>369,899.72</b>
Capital Assets, Depreciable:				
Buildings	22,736,342.53			22,736,342.53
Machinery and Equipment	3,980,749.77	1,143,767.60	143,574.72	4,980,942.65
General Infrastructure	1,386,577.93			1,386,577.93
<b>Total Capital Assets, Depreciable</b>	<b>28,103,670.23</b>	<b>1,143,767.60</b>	<b>143,574.72</b>	<b>29,103,863.11</b>
Less Accumulated Depreciation for:				
Buildings	6,199,575.38	456,617.94		6,656,193.32
Machinery and Equipment	1,992,682.58	270,014.24	95,263.70	2,167,433.12
General Infrastructure	463,005.38	29,674.80		492,680.18
<b>Total Accumulated Depreciation</b>	<b>8,655,263.34</b>	<b>756,306.98</b>	<b>95,263.70</b>	<b>9,316,306.62</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>19,448,406.89</b>	<b>387,460.62</b>	<b>48,311.02</b>	<b>19,787,556.49</b>
<b>Capital Assets, Net</b>	<b>\$ 19,818,306.61</b>	<b>\$ 387,460.62</b>	<b>\$ 48,311.02</b>	<b>\$ 20,157,456.21</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
<b>Current Accounts Payable and Accrued Liabilities:</b>	
Accounts Payable	\$ 131,135.22
Accrued Payroll	450,493.75
<b>Total</b>	<b>\$ 581,628.97</b>

### NOTE 7 - CHANGES IN LONG-TERM LIABILITIES

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

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Compensated Absences	\$ 508,869.59	\$ 468,705.29	\$ 445,181.89	\$ 532,392.99	\$ 57,000.24

### NOTE 8 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Change in Allowance for Uncollectibles*	Net Revenues
<b>Operating Revenues:</b>					
<b>Student Tuition and Fees</b>	\$ 2,740,901.75	\$ 0.00	\$ 1,658,241.03	\$ 17,972.24	\$ 1,064,688.48
<b>Sales and Services:</b>					
Sales and Services of Auxiliary Enterprises:					
Bookstore	\$ 1,306,464.33	\$ 11,960.44	\$ 831,742.98	\$ 6,713.99	\$ 456,046.92
Other	37,324.27				37,324.27
Sales and Services of Education and Related Activities	24,932.00				24,932.00
<b>Total Sales and Services</b>	\$ 1,368,720.60	\$ 11,960.44	\$ 831,742.98	\$ 6,713.99	\$ 518,303.19

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 6,761,791.21	\$ 1,610,775.05	\$ 310,081.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 8,682,647.26
Academic Support	711,969.02	244,488.06	133,462.56				1,089,919.64
Student Services	1,218,286.84	37,914.31	81,126.66				1,337,327.81
Institutional Support	2,240,181.03	152,682.52	396,732.08				2,789,595.63
Operations and Maintenance of Plant	861,496.37	398,894.92	263,752.99		433,248.21		1,957,392.49
Student Financial Aid				2,751,309.71			2,751,309.71
Auxiliary Enterprises	108,163.60	1,095,709.60	41,630.62				1,245,503.82
Depreciation						756,309.27	756,309.27
<b>Total Operating Expenses</b>	<b>\$ 11,901,888.07</b>	<b>\$ 3,540,464.46</b>	<b>\$ 1,226,785.91</b>	<b>\$ 2,751,309.71</b>	<b>\$ 433,248.21</b>	<b>\$ 756,309.27</b>	<b>\$ 20,610,005.63</b>

### NOTE 10 - PENSION PLANS

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

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

For the current fiscal year, the College had a total payroll of \$9,362,795.48, of which \$7,483,093.55 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$623,341.69 and \$448,985.62, 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 \$623,341.69, \$581,772.70, and \$383,285.73, respectively.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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

- B. Deferred Compensation and Supplemental Retirement Income Plans** - Internal Revenue Code Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$56,700 for the year ended June 30, 2013.

Internal Revenue Code Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College 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, 2013, were \$6,256.44 and total employer contributions on behalf of permanent full-time employees were \$74,854.88. The voluntary contributions by employees amounted to \$220,737.22 for the year ended June 30, 2013.

### NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Benefits** - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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

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

For the current fiscal year the College contributed 5.30% 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 \$396,603.96, \$390,976.28, and \$380,953.36, 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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 \$32,925.61, \$40,661.53, and \$40,427.70, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

### NOTE 12 - RISK MANAGEMENT

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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.

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 purchased malpractice insurance for students in medical related fields. Coverage is provided at \$1,000,000 per occurrence up to a \$5,000,000 annual aggregate.

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

---

**NOTE 13 - COMMITMENTS**

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on purchases were \$136,711.23 at June 30, 2013.

**NOTE 14 - BLENDED COMPONENT UNIT**

Condensed combining information for the College's blended component unit for the year ended June 30, 2013, is presented as follows:

***Condensed Statement of Net Position  
June 30, 2013***

	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets	\$ 258,610	\$ 0	\$ 258,610
Other Noncurrent Assets	1,791,567		1,791,567
Total Assets	<u>2,050,177</u>		<u>2,050,177</u>
Deferred Outflows of Resources	<u>0</u>		<u>0</u>
<b>LIABILITIES</b>			
Current Liabilities	<u>2,020</u>		<u>2,020</u>
Total Liabilities	<u>2,020</u>		<u>2,020</u>
Deferred Inflows of Resources	<u>0</u>		<u>0</u>
<b>NET POSITION</b>			
Restricted - Nonexpendable	1,619,803		1,619,803
Restricted - Expendable	188,262		188,262
Unrestricted	240,092		240,092
Total Net Position	<u>\$ 2,048,157</u>	<u>\$ 0</u>	<u>\$ 2,048,157</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

### *Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2013*

	<b>Foundation</b>	<b>Eliminations</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Investment Income	\$ 146,963	\$ 0	\$ 146,963
Contributions	269,495		269,495
Total Operating Revenues	416,458		416,458
<b>OPERATING EXPENSES</b>			
Scholarships & Fellowships	79,181		79,181
Foundation Expenses	58,883		58,883
Total Operating Expenses	138,064		138,064
Operating Income	278,394		278,394
<b>NONOPERATING REVENUES</b>			
Additions to Endowment	69,447		69,447
Net Nonoperating Revenues (Expenses)	69,447		69,447
Increase in Net Position	347,841		347,841
<b>NET POSITION</b>			
Net Position, July 1, 2012	1,700,318		1,700,318
Net Position, June 30, 2013	\$ 2,048,159	\$ 0	\$ 2,048,159

### *Condensed Statement of Cash Flows June 30, 2013*

	<b>Foundation</b>	<b>Total</b>
Net Cash Provided by Operating Activities	\$ 173,470	\$ 173,470
Net Cash Provided by Capital and Related Financing Activities	69,445	69,445
Net Cash Used by Investing Activities	(241,547)	(241,547)
Net Increase in Cash and Cash Equivalents	1,368	1,368
Cash and Cash Equivalents, July 1, 2012	21,736	21,736
Cash and Cash Equivalents, June 30, 2013	\$ 23,104	\$ 23,104

**Office of the State Auditor**

**Beth A. Wood, CPA**  
State Auditor

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

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

---

Board of Trustees  
Beaufort County Community College  
Washington, 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 Beaufort County Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated May 20, 2014. Our report includes a reference to other auditors who audited the financial statements of Beaufort County Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Beaufort County Community College Foundation, Inc., were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control Over Financial Reporting

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

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

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

---

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

May 20, 2014



## ORDERING INFORMATION

---

Copies of this report may be obtained by contacting the:

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

Telephone: 919-807-7500

Facsimile: 919-807-7647

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

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

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

or download our free app



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



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

For additional information contact:

Bill Holmes  
Director of External Affairs  
919-807-7513