

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



BEAUFORT COUNTY COMMUNITY COLLEGE

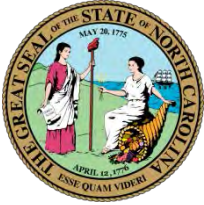
WASHINGTON, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



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STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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

AUDITOR'S TRANSMITTAL

The Honorable 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, 2015, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

A handwritten signature in cursive script that reads 'Beth A. Wood'.

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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State Auditor

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 10.1 percent, 11.6 percent, and 0.9 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

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, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

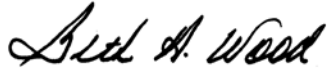
As discussed in Note 15 to the financial statements, during the year ended June 30, 2015, Beaufort County Community College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68. – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters – Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

May 18, 2016



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, 2015. 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, 2015, and includes all assets, liabilities, and deferred inflows and outflows 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 nonoperating 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.

Analysis of the Statement of Net Position

 Condensed Statement of Net Position
 (in thousands)

Assets	2015	2014 (Restated)	Variance
Current Assets	\$ 1,956	\$ 2,059	\$ (103)
Noncurrent Assets			
Capital Assets, net	19,337	19,595	(258)
Other	2,661	2,723	(62)
Total Assets	23,954	24,377	(423)
Def. Outflows of Resources	835	662	173
Liabilities			
Current Liabilities	775	828	(53)
Long-Term Liabilities	1,014	3,444	(2,430)
Total Liabilities	1,789	4,272	(2,483)
Def. Inflows of Resources	2,168	2,168	2,168
Net Position			
Invested in Capital Assets	19,337	19,595	(258)
Restricted	2,557	2,788	(231)
Unrestricted	(1,062)	(1,616)	554
Total Net Position	\$ 20,832	\$ 20,767	\$ 65

The College continues to remain well positioned financially as net position increased by approximately \$65 thousand during fiscal year 2015.

Current assets decreased by \$103 thousand due to several factors including a decline in enrollment which caused less cash to be received in the form of financial aid and an increase in purchases needed for the College. These decreases were offset by an increase in bookstore inventory of \$42.

Capital assets decreased by \$258 thousand and are discussed in the Analysis of Capital Assets section below.

Other noncurrent assets decreased by \$62 thousand. There was a \$140 thousand decrease in noncurrent cash and cash equivalents due to the purchasing of the equipment from a Duke Grant received in a prior year. This was offset by an increase of \$29 thousand in funds received for the construction of a new electronic sign and an increase of \$51 thousand in investments.

During the fiscal year ended June 30, 2015, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The prior year fiscal statements have been restated to record the College's proportionate share of the collective net pension liability, and related deferred inflows and outflows of resources.

Total Liabilities decreased by \$2.48 million from the prior year. Current liabilities decreased by \$53 thousand due to decreases in payables to vendors. Those decreases were offset by increases to accrued payroll due to more course offerings occurring during the summer and increases in the current portion of compensated absences due a greater portion of the liability being recognized during the current year. Noncurrent liabilities decreased by \$2.43 million which was primarily due to the implementation of GASB 68 for the net pension liability.

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

Analysis of Operating Revenues (in thousands)			
	2015	2014	Variance
Operating Revenues			
Student Tuition and Fees, Net	\$ 1,115	\$ 1,074	\$ 41
Sales and Services, Net	651	514	137
Other	1	3	(2)
Total Operating Revenues	<u>\$ 1,767</u>	<u>\$ 1,591</u>	<u>\$ 176</u>

Total operating revenue showed an increase of \$176 thousand. The \$41 thousand increase in tuition was attributed to a \$.50 increase per credit hour for both in-state and out-of-state tuition. The bookstore represents the majority of the \$137 thousand increase in revenues related to sales and services and was due to increased prices for books and supplies.

Analysis of Operating Expenses (in thousands)			
	2015	2014	Variance
Operating Expenses			
Salaries and Benefits	\$ 11,702	\$ 12,055	\$ (353)
Supplies and Materials	2,934	2,872	62
Services	1,179	1,235	(56)
Scholarships and Fellowships	2,350	2,709	(359)
Other	1,272	1,226	46
Total Operating Expenses	<u>\$ 19,437</u>	<u>\$ 20,097</u>	<u>\$ (660)</u>

Operating expenses decreased by approximately \$660 thousand from fiscal year 2014. Salaries and benefits expenses decreased \$353 thousand during the year. This was attributed to the reduction of positions and programs. It is important to note that personnel costs continue to rise. The total employer contribution for retirement increased from 14.69% for fiscal year 2014 to 15.21% for fiscal year 2015. Supplies and materials increased \$62 thousand due to purchases for needed equipment and supplies. Scholarships and fellowships decreased by \$359 thousand during the year. A decrease in enrollment and awarded Foundation scholarships contributed to the overall decrease. The \$46 thousand increase to other operating expense were largely attributed to a \$14 thousand increase in utilities during the year due to a 5% increase in degree days and an increase of electrical rates. The increase to other operating expense also included a \$23 thousand increase for depreciation expense.

Analysis of Nonoperating Revenues (in thousands)			
	2015	2014	Variance
Nonoperating Revenues			
State Aid	\$ 8,794	\$ 8,461	\$ 333
County Appropriations	2,271	2,232	39
State Capital Aid	463	647	(184)
County Capital Appropriations	606	257	349
Noncapital Grants	5,011	5,793	(782)
Capital Grants	304	491	(187)
Additions to Endowments	22	22	0
Other	264	432	(168)
Total Nonoperating Revenues	<u>\$ 17,735</u>	<u>\$ 18,335</u>	<u>\$ (600)</u>

Nonoperating revenues decreased by \$600 thousand. Overall, the decrease was related to a significant drop in enrollment causing student financial aid to decrease by \$941 thousand. Another significant drop occurred in capital grant funding related to Golden Leaf grants and the NCAMA grant. These decreases were offset by increase to state aid of \$333 thousand. County appropriations, increased by \$349 thousand due to an increase in personnel costs and an increase of funding to support campus repairs. The increase of County capital appropriations resulted from approved funding for building projects and infrastructure projects. Those projects include HVAC for Building 1 totaling \$182 thousand; roofing repairs for Building 9 and Building 5 totaling \$150 thousand; the soffit for Building 5 totaling \$71 thousand and the firing range totaling \$51 thousand.

Analysis of Change in Net Position (in thousands)

	2015	2014*	Variance
Revenues			
Operating Revenues	\$ 1,767	\$ 1,591	\$ 176
Nonoperating Revenues	17,735	18,335	(600)
Total Revenues	19,502	19,926	(424)
Total Expenses	19,437	20,097	(660)
Increase (Decrease) in Net Position	65	(171)	236
Net Position, July 1	20,767	23,263	(2,496)
Less: Restatement		2,325	(2,325)
Net Position, June 30	\$ 20,832	\$ 20,767	\$ 65

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

Analysis of Capital Assets, Net

	Capital Assets (in thousands)		
	2015	2014	Variance
Capital Assets, Net			
Land	\$ 370	\$ 370	\$ 0
Buildings	15,163	15,624	(461)
Machinery and Equipment	2,969	2,737	232
General Infrastructure	835	864	(29)
Total Capital Assets, Net	\$ 19,337	\$ 19,595	\$ (258)

Capital Assets decreased by \$258 thousand during fiscal year 2015. The \$461 thousand decrease in buildings was related to the depreciation recognized. The \$29 thousand decrease to infrastructure was a direct result of depreciation as well. Machinery and Equipment increased by \$232 thousand overall. This was the net effect after depreciation, acquisition and disposals. The equipment acquisitions were for educational purposes and included three vehicles for BLET training, a robotic welder, and training systems for welding, industrial wiring, and mechanical.

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. The overall County budget provided for the College for next fiscal year increases by almost \$524 thousand when compared to last year's appropriations. The increase mainly stems from needed capital projects. However, two of the projects will have an effect on potential revenues from gained full time equivalent (FTE) funding from state resources. Beaufort County and the BCCC Foundation provided funding to purchase additional land as part of a future Emergency Services Training Complex. Beaufort County further provided funding to construct a new fire training facility and site preparation totaling nearly \$300 thousand dollars. The County also provided funding to renovate the kitchen facilities in our Continuing Education building to make available appropriate space to teach culinary skills to prospective restaurant employees. The \$50 thousand dollar facility upgrade will potentially provide additional revenue from gained FTE. Perspective future considerations are potentially to add curriculum culinary courses.

There is a high probability that state funding will decrease in the next two years. The State's fiscal situation and a decline in community college enrollment across the State continues to provide uncertainty for the amount of state funding to be received by BCCC. In addition the College's enrollment in curriculum courses has dropped approximately 23% due to both economic influences and the withdrawal of the College from the federal student loan program. These combined factors could potentially affect the reduction of available state funds by approximately \$800 thousand to \$1 million in each of the next two fiscal years. The College President is developing mitigating strategies to address the potential short falls by retrofitting our high school recruitment and marketing programs, reviewing course relevancy, amending staffing levels, and shifting funding priorities to Continuing Education where there is potential of growth in FTE due to a more robust engagement effort within all four counties of our service area. These adjustments along with the new state authorization to earn curriculum FTE during the summer semesters will potentially lessen the impact of the revenue losses associated with the drop in curriculum enrollment.

During the year, BCCC received a \$25 thousand grant from the Kate B Reynold's Charitable Trust to improve the health outcomes on BCCC campus for staff, faculty, and students. These funds will enhance the existing IMFIT walking trail by adding an additional exercise station and additional equipment to the current stations. The walking trail is designed to be interactive and includes several different exercising machines along with heart and blood pressure monitors.

A capital gifts campaign was completed during the year to fund an electronic sign for the College. As of June 30, an additional \$29 thousand had been raised for the project which brings the total gifts to \$61 thousand. The BCCC Foundation Board committed an additional \$15 thousand to complete the project. The estimated cost of the sign is expected to be approximately \$80 thousand. Bid preparations are underway to begin the project within the next few months. BCCC expects the sign to enhance our marketing program by attracting additional students to our programs.

The U.S. Department of Education has awarded BCCC a new Student Support Services (TRIO) grant starting this year for a 5-year performance period. The new TRIO grant award amount is \$339 thousand which remains unchanged as compared to 2015. TRIO provides funds annually for student services programs designed to identify and provide services for individuals from disadvantaged backgrounds, first-generation college students, and individuals with disabilities. Services include tutoring along with academic, career, financial aid, and personal counseling.

Community colleges continue to be an affordable option for local communities. After record enrollments during recent prior years the overall numbers have started to decline slightly. Unemployment rates continue to affect enrollment. The most recent figures have North Carolina's unemployment rate at 5.9 percent, compared to the national average of 5.1 percent. North Carolina's unemployment rate appears to be stabilizing over the last year, but the current low rate may continue a slight downward trend or at best level out 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) 940-6264.



FINANCIAL STATEMENTS

Beaufort County Community College
Statement of Net Position
June 30, 2015

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 71,269.68
Restricted Cash and Cash Equivalents	526,426.31
Receivables, Net (Note 4)	996,543.81
Inventories	361,257.41
	<hr/>
Total Current Assets	1,955,497.21

Noncurrent Assets:

Restricted Cash and Cash Equivalents	141,254.46
Restricted Due from Primary Government	135,081.77
Endowment Investments	1,834,061.95
Other Restricted Investments	270,256.79
Other Investments	280,237.58
Capital Assets - Nondepreciable (Note 5)	369,899.72
Capital Assets - Depreciable, Net (Note 5)	18,967,394.40
	<hr/>
Total Noncurrent Assets	21,998,186.67
	<hr/>
Total Assets	23,953,683.88

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	835,641.00
	<hr/>

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	623,005.90
Unearned Revenue	38,723.50
Long-Term Liabilities - Current Portion (Note 7)	113,141.49
	<hr/>
Total Current Liabilities	774,870.89

Noncurrent Liabilities:

Funds Held for Others	6,358.09
Long-Term Liabilities (Note 7)	1,007,929.73
	<hr/>
Total Noncurrent Liabilities	1,014,287.82
	<hr/>
Total Liabilities	1,789,158.71

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	2,167,624.00
	<hr/>

Beaufort County Community College
Statement of Net Position
June 30, 2015

Exhibit A-1
Page 2 of 2

NET POSITION

Investment in Capital Assets	19,337,294.12
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	1,862,252.87
Expendable:	
Scholarships and Fellowships	229,637.17
Loans	1,554.50
Capital Projects	58,294.88
Specific Programs - Nursing Program	354,786.47
Other	50,801.60
Unrestricted	<u>(1,062,079.44)</u>
Total Net Position	<u><u>\$ 20,832,542.17</u></u>

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, 2015

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	\$ 1,115,186.16
Sales and Services, Net (Note 8)	650,652.34
Other Operating Revenues	1,182.40
	<hr/>
Total Operating Revenues	1,767,020.90
	<hr/>

EXPENSES

Operating Expenses:	
Salaries and Benefits	11,702,198.94
Supplies and Materials	2,933,663.64
Services	1,178,763.78
Scholarships and Fellowships	2,349,955.64
Utilities	463,271.20
Depreciation	809,290.95
	<hr/>
Total Operating Expenses	19,437,144.15
	<hr/>
Operating Loss	(17,670,123.25)
	<hr/>

NONOPERATING REVENUES

State Aid	8,794,370.53
County Appropriations	2,270,934.00
Noncapital Grants - Student Financial Aid	4,476,204.61
Noncapital Grants	534,524.26
Noncapital Gifts	107,482.79
Investment Income	73,430.69
Other Nonoperating Revenues	11,051.90
	<hr/>
Net Nonoperating Revenues	16,267,998.78
	<hr/>
Loss Before Other Revenues	(1,402,124.47)
	<hr/>

State Capital Aid	463,385.69
County Capital Aid	605,578.00
Capital Grants	303,847.10
Capital Gifts	71,963.98
Additions to Endowments	22,675.68
	<hr/>
Increase in Net Position	65,325.98
	<hr/>

NET POSITION

Net Position, July 1, 2014 as Restated (Note 15)	20,767,216.19
	<hr/>
Net Position, June 30, 2015	\$ 20,832,542.17
	<hr/> <hr/>

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, 2015

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ \$ 1,705,243.00
Payments to Employees and Fringe Benefits	(12,236,116.77)
Payments to Vendors and Suppliers	(4,715,958.59)
Payments for Scholarships and Fellowships	(2,349,955.64)
Other Receipts	18,788.19
	<hr/>
Net Cash Used by Operating Activities	(17,577,999.81)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	8,794,370.53
County Appropriations	2,270,934.00
Noncapital Grants - Student Financial Aid	4,000,013.92
Noncapital Grants	511,883.06
Noncapital Gifts and Endowments	130,158.47
	<hr/>
Cash Provided by Noncapital Financing Activities	15,707,359.98

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	463,385.69
County Capital Aid	605,578.00
Capital Grants	303,847.10
Capital Gifts	71,963.98
Proceeds from Sale of Capital Assets	833.51
Acquisition of Capital Assets	(562,782.79)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	882,825.49

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	96,498.09
Purchase of Investments and Related Fees	(72,670.89)
	<hr/>
Net Cash Provided by Investing Activities	23,827.20

Net Decrease in Cash and Cash Equivalents	(963,987.14)
Cash and Cash Equivalents, July 1, 2014	1,702,937.59
	<hr/>
Cash and Cash Equivalents, June 30, 2015	\$ 738,950.45

Beaufort County Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (17,670,123.25)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Pension Expense	295,612.00
Nonoperating Other Income	20,985.81
Changes in Assets, Liabilities, and Deferred Outflows of Resources:	
Receivables, Net	(59,220.25)
Inventories	(42,883.98)
Accounts Payable and Accrued Liabilities	(85,240.08)
Unearned Revenue	(2,557.65)
Funds Held for Others	(2,197.62)
Deferred Outflows - Contributions After the Measurement Date	(835,641.00)
Compensated Absences	(6,024.74)
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (18,387,290.76)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 71,269.68
Restricted Cash and Cash Equivalents	526,426.31
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	141,254.46
	<hr/>
Total Cash and Cash Equivalents - June 30, 2015	<u><u>\$ 738,950.45</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	\$ (23,067.40)
Increase in Receivables Related to Nonoperating Income	645,551.89
Loss on Disposal of Capital Assets	(9,933.91)

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



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

Blended Component Unit - Although legally separate, Beaufort County 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 Beaufort County Community College 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, 5337 Highway 264 East, Washington, NC 27889, or by calling 252-940-6264. Other 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.

- 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 method over the estimated useful lives of the assets in the following manner:

Asset Class	Estimated Useful Life
Buildings	15-50 years
Machinery & Equipment	5-25 years
General Infrastructure	10-50 years

- 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 net pension liability and compensated absences that will not be paid within the next fiscal year.

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

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

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next 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. Both restricted and unrestricted net position include consideration of deferred outflows and inflows of resources.

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

- N. **Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

- 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, 2015 was \$1,500.00. The carrying amount of the College's deposits not with the State Treasurer was \$448,528.17, and the bank balance was \$216,077.58.

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

public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2015, all of the College's bank balance was covered by federal depository insurance.

- 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 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, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$288,922.28, 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 1.5 years as of June 30, 2015. 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 and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities, bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments and obligations of certain entities with specified ratings.

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, 2015, for the Foundation's 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 investments to be held.

Investments

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
Debt Securities					
Mutual Bond Funds	\$ 520,462.93	\$ 4,313.13	\$ 359,081.52	\$ 96,735.38	\$ 60,332.90
Money Market Mutual Funds	15,982.69	15,982.69			
Total Debt Securities	536,445.62	<u>\$ 20,295.82</u>	<u>\$ 359,081.52</u>	<u>\$ 96,735.38</u>	<u>\$ 60,332.90</u>
Other Securities					
Mutual Funds	1,847,919.36				
Other	191.34				
Total Investments	<u>\$ 2,384,556.32</u>				

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. The Foundation's Mutual Bond Fund investments are unrated.

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2015, is as follows:

Cash on Hand	\$	1,500.00
Carrying Amount of Deposits with Private Financial Institutions		448,528.17
Investments in the Short-Term Investment Fund		288,922.28
Other Investments		<u>2,384,556.32</u>
Total Deposits and Investments	\$	<u>3,123,506.77</u>
Deposits		
Unrestricted Current	\$	71,269.68
Restricted Current		526,426.31
Restricted Non Current		<u>141,254.46</u>
Total Deposits		<u>738,950.45</u>
Investments		
Noncurrent:		
Endowment Investments		1,834,061.95
Other Restricted Investments		270,256.79
Other Investments		<u>280,237.58</u>
Total Investments		<u>2,384,556.32</u>
Total Deposits and Investments	\$	<u>3,123,506.77</u>

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, 2015, net appreciation of \$247,137.26 was available to be spent, all of which was classified in restricted net position as expended for scholarship and fellowships as it is restricted for these specific purposes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 144,736.73	\$ 101,315.71	\$ 43,421.02
Student Sponsors	32,143.01		32,143.01
Accounts	254,503.07		254,503.07
Intergovernmental	666,301.82		666,301.82
Other	174.89		174.89
Total Current Receivables	<u>\$ 1,097,859.52</u>	<u>\$ 101,315.71</u>	<u>\$ 996,543.81</u>

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets, Nondepreciable:				
Land	\$ 369,899.72	\$ 0.00	\$ 0.00	\$ 369,899.72
Total Capital Assets, Nondepreciable	<u>369,899.72</u>			<u>369,899.72</u>
Capital Assets, Depreciable:				
Buildings	22,736,342.53		5,716.24	22,730,626.29
Machinery and Equipment	4,926,405.01	562,782.79	75,984.39	5,413,203.41
General Infrastructure	1,386,577.93			1,386,577.93
Total Capital Assets, Depreciable	<u>29,049,325.47</u>	<u>562,782.79</u>	<u>81,700.63</u>	<u>29,530,407.63</u>
Less Accumulated Depreciation for:				
Buildings	7,112,811.27	456,503.64	2,000.93	7,567,313.98
Machinery and Equipment	2,189,489.23	323,112.87	68,932.28	2,443,669.82
General Infrastructure	522,354.99	29,674.44		552,029.43
Total Accumulated Depreciation	<u>9,824,654.49</u>	<u>809,290.95</u>	<u>70,933.21</u>	<u>10,563,013.23</u>
Total Capital Assets, Depreciable, Net	<u>19,224,669.98</u>	<u>(246,508.16)</u>	<u>10,767.42</u>	<u>18,967,394.40</u>
Capital Assets, Net	<u>\$ 19,594,569.70</u>	<u>\$ (246,508.16)</u>	<u>\$ 10,767.42</u>	<u>\$ 19,337,294.12</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 120,758.95
Accrued Payroll	502,246.95
Total Current Accounts Payable and Accrued Liabilities	<u>\$ 623,005.90</u>

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2014 (As Restated)	Additions	Reductions	Balance June 30, 2015	Current Portion
Net Pension Liability	\$ 2,986,941.00	\$ 0.00	\$ 2,386,779.00	\$ 600,162.00	\$ 0.00
Compensated Absences	526,933.96	543,822.91	549,847.65	520,909.22	113,141.49
Total Long-Term Liabilities	\$ 3,513,874.96	\$ 543,822.91	\$ 2,936,626.65	\$ 1,121,071.22	\$ 113,141.49

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

NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees	\$ 2,641,175.56	\$ 1,493,602.25	\$ 32,387.15	\$ 1,115,186.16
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	\$ 1,395,744.60	\$ 785,305.11	\$ 20,097.44	\$ 590,342.05
Other	41,383.79			41,383.79
Sales and Services of Education and Related Activities	18,926.50			18,926.50
Total Sales and Services	\$ 1,456,054.89	\$ 785,305.11	\$ 20,097.44	\$ 650,652.34

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	\$ 6,209,455.24	\$ 714,658.66	\$ 189,684.64	\$ 0.00	\$ 0.00	\$ 0.00	\$ 7,113,798.54
Academic Support	1,120,695.39	103,058.44	132,678.80				1,356,432.63
Student Services	1,265,454.68	37,857.28	71,917.67				1,375,229.63
Institutional Support	1,770,596.20	125,740.29	447,794.92				2,344,131.41
Operations and Maintenance of Plant	929,012.91	783,627.54	304,162.66		463,271.20		2,480,074.31
Student Financial Aid				2,349,955.64			2,349,955.64
Auxiliary Enterprises	111,372.52	1,168,721.43	32,525.09				1,312,619.04
Depreciation						809,290.95	809,290.95
Pension Expense	295,612.00						295,612.00
Total Operating Expenses	\$ 11,702,198.94	\$ 2,933,663.64	\$ 1,178,763.78	\$ 2,349,955.64	\$ 463,271.20	\$ 809,290.95	\$ 19,437,144.15

NOTE 10 - PENSION PLAN

Defined Benefit Plan

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

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2015 was 9.15% of covered payroll. The College's contributions to the pension plan were \$688,921.03, and employee contributions were \$451,751.50 for the year ended June 30, 2015.

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2014 *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina

Office of the State Controller’s Internet home page <http://www.osc.nc.gov/> and clicking on “Reports” or by calling the State Controller’s Financial Reporting Section at (919) 707-0500.

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

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

Net Pension Liability: At June 30, 2015, the College reported a liability of \$600,162.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The College’s proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the College’s proportion was 0.05119%, which was an increase of 4.04% from its proportion measured as of June 30, 2013.

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

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

* Salary increases include 3.5% inflation and productivity factor.

** Investment rate of return is net of pension plan investment expense, including inflation.

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

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

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

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

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

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

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 4,308,381.00	\$ 600,162.00	\$ (2,530,888.00)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2015, the College recognized pension expense of \$295,612.00. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 0.00	\$ 139,895.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		2,027,729.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions	146,720.00	
Contributions Subsequent to the Measurement Date	688,921.00	
Total	\$ 835,641.00	\$ 2,167,624.00

\$688,921.00 of the amount reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows

of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	Amount
2016	\$ (505,133.00)
2017	(505,133.00)
2018	(505,133.00)
2019	(505,505.00)
Total	<u>\$ (2,020,904.00)</u>

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

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

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

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

For the current fiscal year the College contributed 5.49% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2014, and 2013, were 5.4% and 5.3%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, which were \$413,352.62, \$404,787.99, and \$396,603.96, respectively. The

College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

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

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2015, the College made a statutory contribution of .41% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2014, and 2013, were .44% in both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2015, 2014, and 2013, which were \$30,869.69, \$32,982.73, and \$32,925.61, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 12 - RISK MANAGEMENT

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

A. Public Entity Risk Pool

Public School Insurance Fund

Fire and other property losses are covered by the Public School Insurance Fund (Fund), a state-administered public entity risk pool. The

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

B. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

C. Other Risk Management and Insurance Activities

1. Automobile Insurance

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

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

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

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the College

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance.

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.

NOTE 13 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on other purchases were \$12,617.36 at June 30, 2015.

NOTE 14 - BLENDED COMPONENT UNIT

Condensed combining information for the College's blended component unit for the year ended June 30, 2015, is presented as follows:

*Condensed Statement of Net Position
June 30, 2015*

	Beaufort County Community College	BCCC Foundation, Inc.	Total
ASSETS			
Current Assets	\$ 1,646,474.21	\$ 309,023	\$ 1,955,497.21
Other Noncurrent Assets	19,893,868.67	2,104,318	21,998,186.67
Total Assets	21,540,342.88	2,413,341	23,953,683.88
Deferred Outflows of Resources	835,641.00		835,641.00
LIABILITIES			
Current Liabilities	773,677.89	1,193	774,870.89
Noncurrent Liabilities	1,014,287.82		1,014,287.82
Total Liabilities	1,787,965.71	1,193	1,789,158.71
Deferred Inflows of Resources	2,167,624.00		2,167,624.00
NET POSITION			
Investment in Capital Assets	19,337,294.12		19,337,294.12
Restricted - Nonexpendable	617.87	1,861,635	1,862,252.87
Restricted - Expendable	469,821.62	225,253	695,074.62
Unrestricted	(1,387,339.44)	325,260	(1,062,079.44)
Total Net Position	\$ 18,420,394.17	\$ 2,412,148	\$ 20,832,542.17

*Condensed Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2015*

	Beaufort County Community College	BCCC Foundation, Inc.	Eliminations	Total
OPERATING REVENUES				
Student tuition and fees, net	\$ 1,115,186.16	\$ 0	\$ 0	\$ 1,115,186.16
Sales and services, net	650,652.34			650,652.34
Investment Income		69,221	(69,221)	
Contributions		83,210	(83,210)	
Other Operating Revenues	1,182.40	1,596	(1,596)	1,182.40
Total Operating Revenues	<u>1,767,020.90</u>	<u>154,027</u>	<u>(154,027)</u>	<u>1,767,020.90</u>
OPERATING EXPENSES				
Operating Expenses	18,484,114.20	143,739		18,627,853.20
Depreciation	809,290.95			809,290.95
Total Operating Expenses	<u>19,293,405.15</u>	<u>143,739</u>		<u>19,437,144.15</u>
Operating Income (Loss)	<u>(17,526,384.25)</u>	<u>10,288</u>	<u>(154,027)</u>	<u>(17,670,123.25)</u>
NONOPERATING REVENUES				
State Aid	8,794,370.53			8,794,370.53
County Aid	2,270,934.00			2,270,934.00
Noncapital Gifts	24,272.79		83,210	107,482.79
Noncapital Grants	5,010,728.87			5,010,728.87
Investment Income	4,209.69		69,221	73,430.69
Other nonoperating revenues	9,454.90		1,596	11,051.90
Net Nonoperating Revenues	<u>16,113,970.78</u>		<u>154,027</u>	<u>16,267,998.78</u>
Capital Contributions	1,444,774.77			1,444,774.77
Additions to Endowment		22,676		22,675.68
Increase in Net Position	32,361.30	32,964		65,325.98
NET POSITION				
Net Position, July 1, 2014	<u>18,388,032.19</u>	<u>2,379,184</u>		<u>20,767,216.19</u>

*Condensed Statement of Cash Flows
June 30, 2015*

	Beaufort County Community College	BCCC Foundation, Inc.	Total
Net Cash (Used)/Provided by Operating Activities	\$ (17,589,463.81)	\$ 11,464	\$ (17,577,999.81)
Net Cash Provided from Non Capital Financing Activities	15,707,359.98		15,707,359.98
Net Cash Provided by Capital and Related Financing Activities	860,150.49	22,675	882,825.49
Net Cash (Used)/Provided by Investing Activities	71,771.20	(47,944)	23,827.20
Net Decrease in Cash and Cash Equivalents	<u>(950,182.14)</u>	<u>(13,805)</u>	<u>(963,987.14)</u>
Cash and Cash Equivalents, July 1, 2014	<u>1,660,942.59</u>	<u>41,995</u>	<u>1,702,937.59</u>
Cash and Cash Equivalents, June 30, 2015	<u>\$ 710,760.45</u>	<u>\$ 28,190</u>	<u>\$ 738,950.45</u>

NOTE 15 - NET POSITION RESTATEMENT

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

	<u>Amount</u>
July 1, 2014 Net Position as Previously Reported	\$ 23,092,670.19
Restatements:	
Record the College's Net Pension Liability and Pension Related Deferred Outflows of Resources per GASB 68 Requirements	<u>(2,325,454.00)</u>
July 1, 2014 Net Position as Restated	<u><u>\$ 20,767,216.19</u></u>



REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit B-1

	<u>2014</u>	<u>2013</u>
Proportionate Share Percentage of Collective Net Pension Liability	0.05119%	0.04920%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 600,162.31	\$ 2,986,941.35
Covered-Employee Payroll	\$ 7,496,073.77	\$ 7,483,093.55
Net Pension Liability as a Percentage of Covered-Employee Payroll	8.01%	39.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

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

Exhibit B-2

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually Required Contribution Contributions in Relation to the Contractually Determined Contribution	\$ 688,921.03	\$ 651,408.81	\$ 623,341.69	\$ 581,772.70	\$ 383,285.73
	<u>688,921.03</u>	<u>651,408.81</u>	<u>623,341.69</u>	<u>581,772.70</u>	<u>383,285.73</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Covered-Employee Payroll	\$ 7,529,191.63	\$ 7,496,073.77	\$ 7,483,093.55	\$ 7,819,525.51	\$ 7,774,558.41
Contributions as a Percentage of Covered-Employee Payroll	9.15%	8.69%	8.33%	7.44%	4.93%

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually Required Contribution Contributions in Relation to the Actuarially Determined Contribution	\$ 285,917.53	\$ 264,741.88	\$ 223,050.31	\$ 180,722.81	\$ 138,157.62
	<u>285,917.53</u>	<u>264,741.88</u>	<u>223,050.31</u>	<u>180,722.81</u>	<u>138,157.62</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Covered-Employee Payroll	\$ 8,008,894.49	\$ 7,879,222.51	\$ 7,313,124.96	\$ 6,794,090.59	\$ 5,904,171.79
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

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

Changes of Benefit Terms:

									<u>Cost of Living Increase</u>
<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	
N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%	

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



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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

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

Board of Trustees
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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated May 18, 2016. 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 on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

May 18, 2016

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

