Operating expenses decreased $502,466.86, or 2.53%, primarily due to a decrease in outside services of 22.5% and a decrease of utilities of 24.1%. The decrease in services is due to less payments for performers and cleaning needed for the Odell Williamson Auditorium. Despite increases in benefit costs, the overall increase in personal services was only 0.6% due to vacant positions during the year that are now filled.

Nonoperating revenues increased $293,558.54, or 1.8%, mainly due to an increase in state aid and the College receiving a donated bus valued at $82,900.00. State aid revenues increased $137,028.28 for instructional support due to an increase in budgeted full-time equivalents (FTE).

Capital Assets

At June 30, 2015 the College reported $55,255,237.53 invested in capital assets less $12,846,235.29 in accumulated depreciation, for net capital assets of $42,409,002.24. The College's net investment in land, construction-in-progress, buildings, machinery and equipment, and general infrastructure constitutes net capital assets. The decrease in net capital assets of $161,828.48 is primarily due to the net effect of capital additions of $797,506.87, net of annual depreciation of $957,436.79. Expenses for the renovations of the Southport Continuing Education Center and the Leland business incubator spaces were reported as construction-in-progress.

The following schedule reports capital assets for the fiscal years 2015 and 2014, net of accumulated depreciation.

	2015	*2014*	Increase (Decrease)	Percent Change
Land	$ 1,358,228.70	$ 1,358,228.70	$ -	0.00%
Construction in Progress	2,062,193.71	1,677,517.61	384,676.10	22.93%
Buildings	34,521,552.23	35,433,083.38	(911,531.15)	-2.57%
Machinery and Equipment	2,098,170.78	1,684,694.14	413,476.64	24.54%
General Infrastructure	2,368,856.82	2,417,306.89	(48,450.07)	-2.00%
	$ 42,409,002.24	$ 42,570,830.72	$ (161,828.48)	-0.38%

Other Information

The FTEs that generate the College's State budget (budget FTEs) increased overall from FY 2014 to FY 2015. The College is funded based on actual FTEs earned during the prior fiscal year, or a two year average, whichever is greater.

	2014-2015	*2013-2014*	Increase (Decrease)
Curriculum	1,293	1,268	1.97%
Occupational Extension	327	282	15.96%
Basic Skills	252	257	-1.95%
	1,872	1,807	3.60%

For FY 2015, the General Assembly enacted a $59.2 million management flexibility reduction to the State Aid budget. The State Board of Community Colleges allocated the reduction pro-rata based on each college's estimated General Fund appropriation. The College's portion of the management flexibility reduction was $525,630.00.

Construction Commitments

The Southport Continuing Education Center (the "Center") will complete the building projects that started with a bond referendum in 2004. This continuing education center will enhance the College's learning facilities. The College reported commitments on open construction contracts for general contractors in the amount of $118,019.00 on the total construction costs of approximately $1.4 million to renovate and will include computer labs, general purpose classrooms, rooms dedicated to art and community space for receptions and meetings. Renovations for the Center began during the spring of 2012 and the College received beneficial occupancy at the end of August 2015.

Economic Factors and Next Year's Budget

Brunswick County is the fastest growing county in North Carolina. The population for Brunswick County continues to increase and is projected to be 128,900 by 2018 based on a projected growth rate of 11.8%. The Leland area, in the Northern part of the county, has experienced significant growth due to the construction of multiple housing developments and the annexation of another along the Highway 17 corridor. Since 2000, Leland has had a population growth of 67.51%. Our Leland campus is just outside the town limits and provides education and skill enhancement opportunities for new, expanding, and existing businesses in the Cape Fear region to promote future growth through educating the area's workforce.

The College's budgeted FTE increased 3.6% from FY 2014 to FY 2015 which resulted in a formula allotment increase of $639,117.00. In light of the State's fiscal situation, a management flexibility reduction of $525,630.00 was required for the 2014-2015 fiscal year, which represents a decrease of $99,142.00 from the prior year's reduction.

The budgeted FTE is calculated based on the higher of the prior year's enrollment or the average of the prior two years.

A tuition increase for 2014-2015 curriculum programs became effective July 1, 2014. In-state tuition rates increased from $71.50 per credit hour to $72.00 per credit hour. Out-of-state tuition rates increased from $263.50 per credit hour to $264.00 per credit hour. The maximum charge is still based on 16 credit hours. Tuition for continuing education occupational extension registration fees for 2014-2015 did not change.

The 2015-2016 County appropriation is $3,699,447.00 which represents a decrease of $55,565.40, or a 1.52% from 2014-2015. The County changed its method of providing the budgeted funds, and the College's allocation is on a reimbursement by purpose basis for county expenses. The College is raising statutory concerns about this change in funding method. The full impact of this reduction will be determined when the State Budget is passed and the College receives new salary and benefit information.

Looking into the future, management believes the College can take the steps necessary to ensure it is positioned to continue to provide excellent programs within our Community. The College has been strategic in preparing its budget with limited resources and has been able to cover current needs so that instruction will not suffer. The College is committed to serving students by hiring additional faculty and creating more class sections, as needed, to facilitate continued enrollment growth.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Brunswick Community College's finances for all those with an interest in the College's finances. Questions concerning any of this information should be addressed to Sheila L. Galloway, Vice President of Budget and Finance/CFO, for Brunswick Community College, 50 College Road, Supply, NC 28462 or call (910) 755-7312.

Brunswick Community College
Statement of Net Position
June 30, 2015 *Exhibit A-1*

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 744,198.65
Restricted Cash and Cash Equivalents	1,195,383.65
Receivables, Net (Note 3)	215,423.86
Due from State of North Carolina Component Units	200,000.00
Inventories	61,601.34
Notes Receivable, Net	400.00
Total Current Assets	2,417,007.50
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	357,468.25
Restricted Due from Primary Government	18,520.00
Capital Assets - Nondepreciable (Note 4)	3,420,422.41
Capital Assets - Depreciable, Net (Note 4)	38,988,579.83
Total Noncurrent Assets	42,784,990.49
Total Assets	45,201,997.99
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions (Note 10)	684,945.00
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 5)	781,468.48
Due to Primary Government	1,640.37
Unearned Revenue	52,183.42
Long-Term Liabilities - Current Portion (Note 6)	73,533.81
Total Current Liabilities	908,826.08
Noncurrent Liabilities:	
Long-Term Liabilities (Note 6)	1,114,873.71
Total Liabilities	2,023,699.79
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions (Note 10)	2,065,899.00
NET POSITION	
Investment in Capital Assets	42,409,002.24
Restricted for:	
Expendable:	
Scholarships and Fellowships	345,254.53
Loans	91,632.89
Capital Projects	667,227.94
Other	479,223.43
Unrestricted	(2,194,996.83)
Total Net Position	$ 41,797,344.20

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

Brunswick Community College
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2015 — *Exhibit A-2*

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	$	823,530.52
Federal Grants and Contracts		79,525.00
Sales and Services		1,121,620.09
Other Operating Revenues		56,450.70
Total Operating Revenues		2,081,126.31
EXPENSES		
Operating Expenses:		
Salaries and Benefits		12,399,607.04
Supplies and Materials		1,597,073.68
Services		2,219,567.55
Scholarships and Fellowships		1,475,294.45
Utilities		715,266.97
Depreciation/ Amortization		957,436.79
Total Operating Expenses		19,364,246.48
Operating Loss		(17,283,120.17)
NONOPERATING REVENUES (EXPENSES)		
State Aid		8,217,339.80
County Appropriations		3,699,447.00
Noncapital Grants - Student Financial Aid		4,294,523.26
Noncapital Gifts, Net		249,287.94
Investment Income		2,595.57
Other Nonoperating Revenues (Expenses)		99,160.81
Net Nonoperating Revenues		16,562,354.38
Loss Before Other Revenues, Expenses, Gains, and Losses		(720,765.79)
State Capital Aid		748,476.19
County Capital Aid		50,000.00
Capital Grants		48,767.65
Increase in Net Position		126,478.05
NET POSITION		
Net Position, July 1, 2014, as Restated (Note 14)		41,670,866.15
Net Position, June 30, 2015	$	41,797,344.20

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

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

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	2,093,076.86
Payments to Employees and Fringe Benefits		(12,743,398.19)
Payments to Vendors and Suppliers		(4,478,960.92)
Payments for Scholarships and Fellowships		(1,478,357.03)
Other Receipts (Payments)		93,469.02
Net Cash used by Operating Activities		(16,514,170.26)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		8,217,339.80
County Appropriations		3,699,447.00
Noncapital Grants - Student Financial Aid		4,294,523.26
Noncapital Grants		(4,242.47)
Noncapital Gifts and Endowments		249,287.94
Net Cash from Noncapital Financing Activities		16,456,355.53
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		748,476.19
County Capital Aid		50,000.00
Capital Grants		(29,857.35)
Capital Gifts		(82,900.00)
Acquisition and Construction of Capital Assets		(642,572.77)
Net Cash from Capital and Related Financing Activities		43,146.07
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		2,595.57
Net Cash from by Investing Activities		2,595.57
Net Decrease in Cash and Cash Equivalents		(12,073.09)
Cash and Cash Equivalents, July 1, 2014		2,309,123.64
Cash and Cash Equivalents, June 30, 2015	$	2,297,050.55

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

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

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(17,283,120.17)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation/ Amortization Expense		957,436.79
Pension Expense		230,633.00
Nonoperating Other Income (Expenses)		101,059.38
Changes in Assets, Liabilities, and Deferred Outflows of Resources:		
Receivables, Net		20,228.13
Inventories		(3,437.98)
Accounts Payable and Accrued Liabilities		63,892.90
Due to Primary Government		1,640.37
Unearned Revenue		(11,340.16)
Funds Held for Others		(7,590.35)
Deferred Outflows - Contributions After the Measurement Date		(684,945.00)
Compensated Absences		101,372.83
Net Cash used by Operating Activities	$	(16,514,170.26)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	744,198.65
Restricted Cash and Cash Equivalents		1,195,383.65
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		357,468.25
Total Cash and Cash Equivalents - June 30, 2015	$	2,297,050.55

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	$	72,034.10
Assets Acquired through a Gift	$	82,900.00
Increase in Receivables Related to Nonoperating Income	$	82,925.15
Loss on Disposal of Capital Assets	$	(1,898.56)

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

Brunswick Community College Foundation, Inc.
Statement of Financial Position
June 30, 2015 — *Exhibit B-1*

ASSETS		
Cash and Cash Equivalents	$	512,329.00
Investments		3,419,812.00
Receivables, Net		5,431.00
Property and Equipment, Net		2,399.00
Total Assets	$	3,939,971.00
NET ASSETS		
Unrestricted	$	286,355.00
Temporarily Restricted		795,699.00
Permanently Restricted		2,857,917.00
Total Net Assets	$	3,939,971.00

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

Brunswick Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2015 — Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS		
Support and Revenues:		
Contributions	$	27,665.00
In-kind donations		215,016.00
Investment Income		13,268.00
Change in market value of investments		(9,587.00)
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		159,011.00
Total Unrestricted Revenues, Gains, and Other Support		405,373.00
Expenses:		
Program		484,452.00
Administrative		57,139.00
Fundraising		20,900.00
Total Expenses		562,491.00
Transfers		(610,037.00)
Decrease in Unrestricted Net Assets		(767,155.00)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions		440,222.00
In-kind donations		21,241.00
Investment Income		125,715.00
Change in market value of investments		(90,824.00)
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions		(159,011.00)
Increase in Temporarily Restricted Net Assets		337,343.00
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions		107,912.00
Transfers		610,037.00
Increase in Permanently Restricted Net Assets		717,949.00
Increase in Net Assets		288,137.00
Net Assets at Beginning of Year		3,651,834.00
Net Assets at End of Year	$	3,939,971.00

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements present all funds of the College and its component units for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. See below for further discussion of the College's component units.

Discretely Presented Component Unit*(s)* – The Brunswick Community College Foundation, Inc. (the "Foundation"), is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 23 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private nonprofit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2015, the Foundation distributed $298,904.41 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the College's Foundation Office, Brunswick Community College, 50 College Road, Bolivia, NC 28422, or by calling 910-755-8517.

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

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

C. **Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, and cash on deposit with private bank accounts.

E. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants Receivables are recorded net of estimated uncollectible amounts.

F. **Inventories** - Inventories, consisting of expendable supplies and merchandise for resale, are valued at the loser of cost or market using the first-in, first-out, method.

G. **Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The 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	50 years
Machinery & Equipment	5-25 years
General Infrastructure	50-75 years
Computer Software	2-30 years

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

I. Deferred Outflows/Inflows of Resources – Deferred outflows and inflows of resources relate to the pension plan. See Note 10 for further description.

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

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next 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, net of outstanding debt obligations related to those capital assets.

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

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

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

P. New Pronouncement - During the fiscal year ended June 30, 2015, the College adopted GASB Statement No.68, *Accounting and Financial Reporting For Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68.* The cumulative effect of these pronouncements is further disclosed in Note 10 and Note 14.

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 $1,350.00. The carrying amount of the College's deposits not with the State Treasurer was $2,295,700.55, and the bank balance was $2,505,569.94.

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

B. Investments - Investments of the College's discretely presented component unit, the Brunswick Community College Foundation, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements.

Fair value of assets classified by investment categories and measured on a recurring basis at June 30, 2015 are as follows:

	Fair value
Cash investments	$ 541,168
Cash value of life insurance policy	55,375
Fixed income	1,866,650
Equity investments	788,438
Mutual fund investments	168,181
	$ 3,419,812

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

Cash on Hand	$ 1,350.00
Carrying Amount of Deposits with Private Financial Institutions	2,295,700.55
Total Deposits	$ 2,297,050.55
Deposits	
Current:	
Cash and Cash Equivalents	$ 744,198.65
Restricted Cash and Cash Equivalents	1,195,383.65
Noncurrent:	
Restricted Cash and Cash Equivalents	357,468.25
Total Deposits	$ 2,297,050.55

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 725,614.57	$ 605,915.51	$ 119,699.06
Intergovernmental	3,711.75	-	3,711.75
Other	92,013.05	-	92,013.05
Total Current Receivables	$ 821,339.37	$ 605,915.51	$ 215,423.86

Attachment AUD 2

NOTE 4 - 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 and Permanent Easements	$ 1,358,228.70	$ -	$ -	$ 1,358,228.70
Construction in Progress	1,677,517.61	384,676.10	-	2,062,193.71
Total Capital Assets, Nondepreciable	3,035,746.31	384,676.10	-	3,420,422.41
Capital Assets, Depreciable:				
Buildings	45,576,557.42	-	-	45,576,557.42
Machinery and Equipment	3,039,952.40	405,571.77	10,515.10	3,435,009.07
General Infrastructure	2,815,989.63	7,259.00	-	2,823,248.63
Total Capital Assets, Depreciable	51,432,499.45	412,830.77	10,515.10	51,834,815.12
Less Accumulated Depreciation/Amortization for:				
Buildings	10,143,474.04	911,531.15	-	11,055,005.19
Machinery and Equipment	1,355,258.26	155,175.64	173,595.61	1,336,838.29
General Infrastructure	398,682.74	55,709.07	-	454,391.81
Total Accumulated Depreciation	11,897,415.04	1,122,415.86	173,595.61	12,846,235.29
Total Capital Assets, Depreciable, Net	39,535,084.41	(709,585.09)	(163,080.51)	38,988,579.83
Capital Assets, Net	$ 42,570,830.72	$ (324,908.99)	$ (163,080.51)	$ 42,409,002.24

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Accounts Payable	$ 393,942.90
Accrued Payroll	315,491.48
Contract Retainage	72,034.10
Total Accounts Payable and Accrued Liabilities	$ 781,468.48

SBCC
05/19/2017

Attachment AUD 2

NOTE 6 - 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 liabilitiy (Note 10)	$ 3,023,367.00	$ -	$ 2,461,660.00	$ 561,707.00	$ -
Compensated absences	525,327.68	575,795.28	474,422.44	626,700.52	73,533.81
	$ 3,548,694.68	$ 575,795.28	$ 2,936,082.44	$ 1,188,407.52	$ 73,533.81

NOTE 7 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for copiers. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2015:

Fiscal Year	Amount
2016	$ 39,431.63
2017	39,431.63
2018	33,529.18
2019	29,313.14
2020	26,973.03
Total Minimum Lease Payments	$ 168,678.61

Rental expense for all operating leases during the year was $46,176.12.

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	$ 3,222,913.83	$ 1,813,164.05	$ 586,219.26	$ 823,530.52

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05/19/2017

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	$ 6,938,135.86	$ 1,125,617.55	$ 554,109.32	$ -	$ -	$ -	$ 8,617,862.73
Academic Support	903,461.96	47,566.06	70,285.94	-	-	-	1,021,313.96
Student Services	857,294.37	23,821.54	210,538.95	-	-	-	1,091,654.86
Institutional Support	1,592,377.90	184,689.84	479,921.66	-	-	-	2,256,989.40
Operations and Maintenance of Plant	1,093,095.10	159,481.06	623,951.45	-	715,266.97	-	2,591,794.58
Student Financial Aid	-	-	-	1,475,294.45	-	-	1,475,294.45
Auxiliary Enterprises	784,608.85	55,897.63	280,760.23	-	-	-	1,121,266.71
Depreciation	-	-	-	-	-	957,436.79	957,436.79
Pension Expense	230,633.00	-	-	-	-	-	230,633.00
Total Operating Expenses	$ 12,399,607.04	$ 1,597,073.68	$ 2,219,567.55	$ 1,475,294.45	$ 715,266.97	$ 957,436.79	$ 19,364,246.48

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 $684,945.16, and employee contributions were $449,144.77 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 $561,707.00 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 0.04791%, which was a decrease of 0.00189% 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:

Asset Class	Long-Term Expected Real Rate of Return
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 (dollars in thousands):

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate	1% Increase (8.25%)
$ 4,053,881.17	$ 561,707.00	$ (2,368,721.66)

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 $230,633.00. 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	$ -	$ 130,921.00
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments (see note below)	-	1,897,802.00
Change in proportion and differences between agency's contributions and proportionate share of contributions	-	37,166.00
Contributions subsequent to the measurement date	684,945.00	
Total	$ 684,945.00	$ 2,065,889.00

$684,945.00 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	$	(518,803.00)
2017		(518,803.00)
2018		(518,803.00)
2019		(509,490.00)
Total	$	(2,065,899.00)

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 $410,967.09, $397,518.44, and $406,754.48, 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 $30,691.53, $32,390.39, and $33,768.30, 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 0.16% 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 maintains healthcare practitioner's/services professional liability insurance for the EMT program in the amount of $1,000,000 per claim with a $1,000 deductible and a $1,000,000 aggregate limit.

The College also maintains commercial liability coverage for the nursing program in the amount of $1,000,000 per claim with a $500 deductible and $3,000,000 aggregate limit.

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. Commitments - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $118,019.00 at June 30, 2015.

B. Pending Litigation and Claims - The College expects to be a party to litigation from construction of the Southport Facility. The College is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. College management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the College.

NOTE 14 - NET POSITION RESTATEMENT

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

	Amount
July 1, 2014 Net Position as Previously Reported	$ 44,067,839.15
Restatements:	
Record the College's net pension liability and pension related deferred outflows of resources per GASB 68 requirements	(2,396,973.00)
July 1, 2014 Net Position as Restated	$ 41,670,866.15

NOTE 15 - SUBSEQUENT EVENTS

The College has evaluated subsequent events through May 31, 2017, which is the date the financial statements were available to be issued.

In January 2016, the College entered into a Guaranteed Energy Savings Contract ("Contract") to install energy conservation measures as to reduce energy consumption and/or energy-related operating costs.

Correspondingly, the College entered into a financing agreement in January 2016 with a financial institution that provides a loan to finance the Contract and is not to exceed $2,457,950.

NOTE 16 - AUDIT HOURS AND COST

The audit required 335 hours at an approximate cost of $34,000. The cost represents 0.075% of the College's total assets and 0.176% of total expenses subject to audit.

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

	Measurement Date Ending June 30, 2014	2013
(1) Proportionate share percentage of collective net pension liability	**0.04791%**	**0.04980%**
(2) Proportionate Share of TSERS collective net pension liability	$ **561,707.00**	$ **3,023,367.00**
(3) Covered-employee payroll	$ 7,208,275.00	$ 7,523,084.00
(4) Net pension liability as a percentage of covered-employee payroll	7.79%	40.19%
(5) Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.60%

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

		2015	2014	2013	2012
(1)	Contractually required contribution	$ 684,945.16	$ 626,393.42	$ 626,672.91	$ 536,797.97
(2)	Contributions in relation to the contractually determined contribution	684,945.16	626,393.42	626,672.91	536,797.97
(3)	Contribution deficiency (excess)	$ -	$ -	$ -	$ -
(4)	Covered-employee payroll	$ 7,485,739.43	$ 7,208,275.42	$ 7,523,084.20	$ 7,215,026.51
(5)	Contributions as a percentage of covered-employee payroll	9.15%	8.69%	8.33%	7.44%

		2011	2010	2009	2008
(1)	Contractually required contribution	$ 379,567.00	$ 255,132.94	$ 225,994.73	$ 182,263.75
(2)	Contributions in relation to the actuarially determined contribution	379,567.00	255,132.94	225,994.73	182,263.75
(3)	Contribution deficiency (excess)	$ -	$ -	$ -	$ -
(4)	Covered-employee payroll	$ 7,699,127.72	$ 7,146,580.82	$ 6,726,033.69	$ 5,975,860.70
(5)	Contributions as a percentage of covered-employee payroll	4.93%	3.57%	3.36%	3.05%

		2007	2006
(1)	Contractually required contribution	$ 144,104.06	$ 340,179.68
(2)	Contributions in relation to the actuarially determined contribution	144,104.06	340,179.68
(3)	Contribution deficiency (excess)	$ -	$ -
(4)	Covered-employee payroll	$ 5,417,445.93	$ 4,987,971.91
(5)	Contributions as a percentage of covered-employee payroll	2.66%	6.82%

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

Changes of Benefit Terms:

Cost of Living Increase

2014	2013	2012	2011	2010	2009	2008	2007	2006
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.

Cherry Bekaert LLP
CPAs & Advisors

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brunswick Community College (the "College") as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2017. Our report includes a reference to other auditors who audited the financial statements of Brunswick Community College Foundation, Incorporated (the "Foundation"), as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

College's Response to Findings

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Cherry Bekaert LLP

Charlotte, North Carolina
March 31, 2017

BRUNSWICK COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2015

2015-001 – Accounts Receivable Balances and Reconciliations

Criteria: A reconciliation of accounts receivable is a primary means of preventing or detecting an error or fraud in accounts receivable balances reported in the Statement of Net Position.

Condition: During our audit, we identified certain student accounts receivable general ledger balances that had not been properly adjusted in many years. Additionally, the College's reconciliation of student accounts receivable did not include all student accounts receivable general ledger accounts.

Cause/Effect: A process exists to reconcile student accounts receivable; however, it was ineffective as it did not reconcile to the total student accounts receivable balances as a whole. There is risk that the financial statements may be materially misstated if reconciliations are not performed accurately and if controls over reconciliations are not effective.

Recommendation: We recommend that management determine the underlying reason for the unadjusted balances and take steps to correct current procedures. In addition, management should develop procedures to ensure that all student accounts receivables are reconciled to underlying data and any differences are identified, researched, and resolved on a timely basis to ensure the financial statements are properly supported.

Management's Response and Corrective Action Plan: Management recognizes the importance of reconciling the accounts receivable general ledger accounts to the subsidiary accounts receivable balance. The College will make it a priority to reconcile these balances.

2015-002 – Depreciable Lives of Fixed Assets

Criteria: The College is responsible to periodically assess whether the useful life of depreciable capital assets is reasonable. If it is determined the useful live needs to be extended mid-life of the asset, the adjustment is a change in estimate and is applied prospectively. If the asset is fully depreciated at the time of the extension in life, the change is to be retrospectively applied adjusting beginning of year net position and is considered a correction of prior year reporting.

Condition: During our audit, we noted that the College did review depreciable capital assets and extended the lives of those that were fully depreciated but were still in use by the College. In addition to adjusting the lives, the College recalculated accumulated depreciation at the beginning of the year as though those specific assets had been depreciated over the revised useful life through the beginning of the year. This caused a financial statement adjustment that was a reduction to depreciation expense and accumulated depreciation of approximately $165,000.00.

Cause/Effect: The entry made was for assets that were fully depreciated during the year ended June 30, 2015, however, the adjustment to the financial statements did not restate beginning of year net position as required. Due to this adjustment, depreciation expense for the year ended June 30, 2015 is understated by approximately $165,000.00.

BRUNSWICK COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2015

2015-002 – Fixed Assets (continued)

Recommendation: Any adjustments that are intended to adjust a beginning of year asset or liability balance are truly prior period adjustments and should adjust net position rather than that asset or liability. We recommend the College revise the accounting policy and procedures related to accounting for extensions in useful lives. Since this extension of useful lives has occurred in both the years ended June 30, 2015 and 2014, this indicates that the asset lives assessed at the acquisition of capital assets and used for recording depreciation for financial statement purposes are shorter than the actual lives that the College is experiencing. We suggest the College review the lives initially assigned to a capital asset and determine whether they need to be extended. In addition, we recommend the College review depreciable capital asset useful lives mid-life of the actual asset. This would allow an extension in useful life to be accounted for prospectively.

Management's Response and Corrective Action Plan: Management has consistently been following a depreciation calculation templates since fiscal year 2008-2009; however, beginning with fiscal year 2015-2016, this method of extending useful lives and recalculating depreciation will cease. The College will continue to evaluate the appropriateness of the estimated useful lives of depreciable assets.