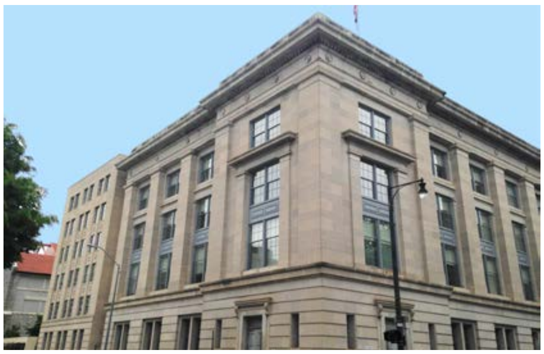
State of North Carolina

Office of The State Auditor

Beth A. Wood, CPA



Brunswick Community College

Bolivia, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2019

A Component Unit of the State of North Carolina

NCOSA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

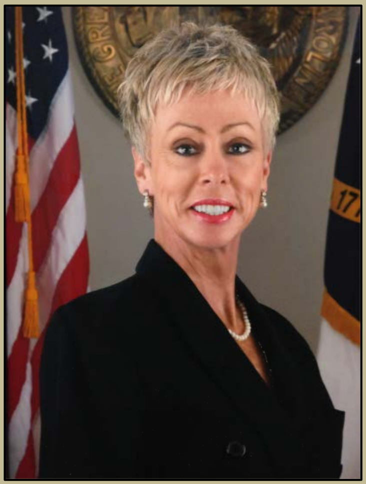
The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Trustees, Brunswick Community College

We have completed a financial statement audit of Brunswick Community College for the year ended June 30, 2019, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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Chapter 147, Article 5A, 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 and any organization that receives public funding. 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

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Brunswick Community College
Bolivia, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Brunswick Community College (College), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2019, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of Brunswick Community College Foundation, Inc., the College's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for Brunswick Community College Foundation, Inc. are 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 Brunswick Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

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 respective financial position of Brunswick Community College, and its discretely presented component unit, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 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 12, 2020 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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

May 12, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Brunswick Community College's (College) financial statements provides an overview of the financial activities for the fiscal year ended June 30, 2019, with comparative data for fiscal year ended June 30, 2018. Information contained herein has been prepared for the purpose of identifying significant transactions, trends, and events that have impacted the fiscal health of the College and that may continue to exert influence in future years. It is recommended that this discussion and analysis be read in conjunction with the College's basic financial statements and the notes to the financial statements.

Using This Annual Report

The financial statements present financial information in a form similar to that used by corporations. They focus on the financial condition of the College, the results of operations, and cash flow of the College as a whole.

The Statement of Net Position reports current and noncurrent assets and liabilities separately, as well as deferred inflows and outflows of resources. Over time, increases and decreases in net position are an indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the net position changed during the fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (i.e. deferred revenue and earned but unused vacation leave).

The Statement of Cash Flows provides information regarding the College's cash receipts and cash payments during the reported period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, capital and related financing, and investing activities. The statement reconciles the beginning cash on hand as of July 1, 2018, to the ending cash on hand as of June 30, 2019.

Management's Discussion and Analysis will concentrate on the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, using condensed versions for the purposes of this discussion.

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

The financial statements also include a Statement of Financial Position, Statement of Activities, and certain note disclosures for the College's discretely presented component unit, Brunswick Community College Foundation, Inc. (Foundation); however, the Foundation is not included in Management's Discussion and Analysis. More information describing the relationship between the College and Foundation can be found in Note 1A.

Financial Highlights

Overall, the College's financial health remained strong over the past year as net position increased $1,896,718.24.

State funds for North Carolina community colleges are appropriated by the North Carolina General Assembly and distributed to colleges by the North Carolina State Board of Community Colleges based on full-time equivalents (FTE) earned in the prior academic year or a two-year average, whichever is greater. The North Carolina Community College System as a whole recognized a 5% increase in FTE for the 2018-2019 fiscal year. The College's total budget FTE increased from 1,787 to 1,934 for 2018-2019, or 8.23%. This increase was due to the additional 199 FTE earned in Occupational Extension and Basic Skills as a result of the hours used to calculate FTE being reduced from 668 to 512. Curriculum FTE dropped by 52, which resulted in a 4.04% decrease.

	2018-2019	2017-2018	Percent Change
Curriculum	1,236	1,288	-4.04%
Occupational Extension	410	275	49.09%
Basic Skills	288	224	28.57%
Total	1,934	1,787	8.23%

For fiscal year 2018-2019, the General Assembly enacted a $53.2 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 $472,658.00. Colleges may determine locally how to implement the management flexibility reduction. This reduction is considered by the College in its budgeting process as necessary.

Statement of Net Position

The Statement of Net Position presents the financial position of the College at June 30, 2019, defined by the balances of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Assets are classified as current or noncurrent and cash is further identified as unrestricted or restricted. Current assets include those resources available to meet current obligations and operating requirements while noncurrent assets are to be held to meet future needs. Capital assets are shown net of depreciation. Net position is grouped into three categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position is classified as expendable and is made up primarily of contracts, grants, and gifts. The following Condensed Statement of Net Position compares the current year information with the prior year, and indicates the increase or decrease between years.

Condensed Statement of Net Position
Fiscal Years Ended June 30, 2019 and June 30, 2018

	June 30, 2019	June 30, 2018	Increase (Decrease)
Assets			
Current Assets	$ 1,845,528.30	$ 2,124,602.14	$ (279,073.84)
Noncurrent Capital Assets, Net	43,164,244.65	42,014,367.72	1,149,876.93
Other Noncurrent Assets	1,522,265.28	370,164.11	1,152,101.17
Total Assets	46,532,038.23	44,509,133.97	2,022,904.26
Deferred Outflows of Resources	3,142,898.00	2,564,711.00	578,187.00
Liabilities			
Current Liabilities	1,743,243.87	1,016,585.00	726,658.87
Long-Term Liabilities	17,898,265.07	18,774,780.92	(876,515.85)
Total Liabilities	19,641,508.94	19,791,365.92	(149,856.98)
Deferred Inflows of Resources	6,327,587.00	5,473,357.00	854,230.00
Net Position			
Net Investment in Capital Assets	40,168,785.54	39,934,312.52	234,473.02
Restricted	1,909,574.70	1,286,266.40	623,308.30
Unrestricted	(18,372,519.95)	(19,411,456.87)	1,038,936.92
Total Net Position	$ 23,705,840.29	$ 21,809,122.05	$ 1,896,718.24

Some highlights of the College's Statement of Net Position are listed below:

- Total assets were $46,532,038.23 as of June 30, 2019. This is an overall increase of $2,022,904.26 from the previous year.
    - Noncurrent capital assets, net increased $1,149,876.93. See the Capital Assets section further below for discussion on this increase.
    - Other noncurrent assets increased $1,152,101.17. This increase was mainly attributable to the increase of $1,266,653.76 in the restricted due from primary government account in which the College earned additional funds from the Connect NC Bond project for use in the Health Sciences (formerly referred to as Allied Health) Building renovation/addition.
- Current liabilites increased by $726,658.87, which was largely due to an increase in accounts payable – capital assets and contract retainage related to the commencement of construction on the Health Sciences Building of $558,080.51 and $67,362.12, respectively.
- The increase of $578,187.00 in deferred outflows of resources, the decrease in long-term liabilities of $876,515.85, and the increase of $854,230.00 in deferred inflows of resources resulted from current year changes in the actuarial assumptions related to the pension plan and other postemployment benefits plans (OPEB) that are administered by the State of North Carolina. See Notes 12 and 13 of the financial statements for more details.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the activity of the College during the year and is subdivided into four major components: operating revenues, operating expenses, nonoperating revenues, and other revenues. Revenues are reported by natural classification.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
Fiscal Years Ended June 30, 2019 and June 30, 2018

	2019	2018	Increase (Decrease)
Operating Revenues:			
Student Tuition and Fees, Net	$ 1,303,948.37	$ 779,732.66	$ 524,215.71
Sales and Services	827,170.09	1,064,222.32	(237,052.23)
Other Operating Revenues	109,003.30	66,897.44	42,105.86
Total Operating Revenues	2,240,121.76	1,910,852.42	329,269.34
Operating Expenses:			
Salaries and Benefits	12,639,062.32	13,220,109.19	(581,046.87)
Supplies and Materials	1,485,622.15	1,417,708.35	67,913.80
Services	2,644,961.06	2,336,812.69	308,148.37
Scholarships and Fellowships	1,588,395.58	1,345,459.81	242,935.77
Utilities	701,394.81	756,786.68	(55,391.87)
Depreciation	1,428,063.05	1,383,349.37	44,713.68
Total Operating Expenses	20,487,498.97	20,460,226.09	27,272.88
Operating Loss	(18,247,377.21)	(18,549,373.67)	301,996.46
Nonoperating Revenues:			
State Aid	9,836,892.93	9,056,691.01	780,201.92
County Appropriations	3,818,063.92	3,785,791.88	32,272.04
Noncapital Grants and Gifts	3,793,616.84	3,335,485.54	458,131.30
Other Nonoperating Revenues	191,757.56	85,046.45	106,711.11
Total Nonoperating Revenues	17,640,331.25	16,263,014.88	1,377,316.37
Loss Before Other Revenues	(607,045.96)	(2,286,358.79)	1,679,312.83
Capital Aid	2,330,100.68	940,999.09	1,377,316.37
Capital Grants	173,663.52	9,092.58	164,570.94
Increase (Decrease) in Net Position	1,896,718.24	(1,336,267.12)	3,232,985.36
Net Position - Beginning of Year	21,809,122.05	23,145,389.17	(1,336,267.12)
Net Position - End of Year	$ 23,705,840.29	$ 21,809,122.05	$ 1,896,718.24
Reconciliation of Change in Net Position			
Total Revenues	$ 22,441,355.54	$ 19,179,606.50	$ 3,261,749.04
Less: Total Expenses	20,544,637.30	20,515,873.62	28,763.68
Increase / (Decrease) in Net Position	$ 1,896,718.24	$ (1,336,267.12)	$ 3,232,985.36

Operating and Nonoperating Revenues

- Total operating revenues increased by $329,269.34 as a net result of an increase of $524,215.71 to student tuition and fees, net and a decrease of $237,052.23 to sales and services. Student tuition and fees, net increased due to an increase in curriculum enrollment and a decrease in the allowance for doubtful accounts that offsets tuition and fees. Sales and services decreased mainly due to the closure of the College's cafeteria.
- State aid increased by $780,201.92 from the prior year. This increase resulted from several sources:
    - The College recognized an increase in state allocations due to the additional 199 FTE earned in Occupational Extension and Basic Skills as a result of the hours used to calculate FTE being reduced from 668 to 512. For fiscal year 2017-2018, the College earned 275 Occupational Extension FTE. With the change in hours for fiscal year 2018-2019, the College earned 410 Occupational Extension FTE.
    - The College received and expended $178,721.00 of grant funds appropriated in Session Law 2018-136 of the Hurricane Florence Recovery Act to assist students impacted by Hurricane Florence.
- Noncapital grants and gifts increased by $458,131.30 mainly due to the following:
    - The College received a $200,000 Blue Cross Blue Shield Opioid Epidemic Grant.
    - The Brunswick Guarantee scholarship revenue doubled from $125,702.23 in fiscal year 2017-2018 to $249,410.69 in fiscal year 2018-2019 due to an increase in enrollment of students eligible for the program.
- Capital aid increased $1,377,316.37 mainly due to the College earning additional funds from the Connect NC Bond project for use in the Health Sciences Building renovation/addition.

Operating Expenses

The College presents operating expenses by natural classification in the Statement of Revenues, Expenses, and Changes in Net Position. Salaries and benefits accounted for 61.69% of operating expenses, followed by services at 12.91%, supplies and materials at 7.25%, scholarships and fellowships at 7.75%, depreciation at 6.97%, and utilities at 3.43%.

The overall increase in operating expenses of $27,272.88 is a net result of several factors:

- Salaries and benefits decreased by $581,046.87 mainly due to decreases in other postemployment benefit expense.
- Services increased by $308,148.37 due to repairs made to College facilities resulting from damage by Hurricane Florence.

- Scholarships and fellowships increased by $242,935.77 mainly due to the College's expenditures of $178,721.00 in grant funds appropriated in Session Law 2018-136 of the Hurricane Florence Recovery Act to assist students impacted by Hurricane Florence and the additional expenditures for the Brunswick Guarantee scholarship provided by Brunswick County.

Capital Assets

Capital Assets
Fiscal Years Ended June 30, 2019 and June 30, 2018

	June 30, 2019	June 30, 2018	Increase (Decrease)
Land	$ 1,358,228.70	$ 1,358,228.70	$ 0.00
Construction in Progress	1,769,780.31	499,326.00	1,270,454.31
Buildings, Net	33,476,140.24	33,657,320.68	(181,180.44)
Machinery and Equipment, Net	2,294,504.09	2,047,384.77	247,119.32
General Infrastructure, Net	4,265,591.31	4,452,107.57	(186,516.26)
	$ 43,164,244.65	$ 42,014,367.72	$ 1,149,876.93

At June 30, 2019 the College reported $57,591,926.66 invested in depreciable capital assets less $17,555,691.02 in accumulated depreciation, for net depreciable capital assets of $40,036,235.64, and $3,128,009.01 in nondepreciable capital assets. The College's net investment in land, construction in progress (CIP), buildings, machinery and equipment, and general infrastructure constitutes net capital assets.

The net increase in capital assets is mainly the result of an increase in CIP of $1,270,454.31. The increases in CIP were mainly due to the current year's expenses of $1,365,979.31 for the ongoing Health Sciences Building renovation/addition. Also, the Southport Center project was completed at a total cost of $759,921.81 and was moved from CIP at year-end into buildings.

Construction Commitments

The College reported commitments on open construction contracts for the Health Sciences Building in the amount of $3,954,917.85. The project budget is $6,050,478.00, and is funded from a combination of Connect NC Bonds, county bonds, other College and county sources.

The Health Sciences Building will consist of 12,160 square feet of renovated space and 13,750 square feet of building addition. The facility will serve students entering the healthcare field. A groundbreaking ceremony was held March 12, 2019 for the facility. Construction began on March 25, 2019 and the project is expected to be completed in April 2020.

Economic Outlook and Next Year's Budget

Brunswick County is the state's fourth largest county, with a total area (combined land and water) of 1,049 square miles. It is also the fastest growing county in North Carolina, with a growth rate of about 3.00% per year.

The Leland area, in the northern part of the county, continues to experience significant growth due to the construction of multiple housing developments and retail buildings. Our Leland campus is just outside the town limits. It 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 0.10% from fiscal year 2018-2019 to fiscal year 2019-2020. The total state funds allocation for the College increased from $12,088,915.00 to $12,600,920.00 due to a combination of this slight FTE increase, additional performance funding, changes in employer contribution rates for retirement and state health insurance, and non-recurring Hurricane Florence funding to be used to offset the impact of community college enrollment declines related to the hurricane. In fiscal year 2019-2020, the management flexibility reduction was incorporated into the Curriculum, Continuing Education, Basic Skills, and Institutional Support formula allocation values.

The fiscal year 2019-2020 county operating and capital appropriation budget is $4,196,426.00, which represents a $12,559.00 increase from the prior year.

Request for Information

This financial report is designed to provide a general overview of the 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, PO Box 30, Supply, NC 28462 or call (910) 755-7312.

FINANCIAL STATEMENTS

Brunswick Community College
Statement of Net Position — *Exhibit A-1*
June 30, 2019 —

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	4,914.53
Restricted Cash and Cash Equivalents		1,105,188.32
Receivables, Net (Note 4)		683,737.01
Inventories		51,288.44
Notes Receivable		400.00
Total Current Assets		1,845,528.30
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		165,469.52
Restricted Due from Primary Government		1,345,173.76
Net Other Postemployment Benefits Asset		11,622.00
Capital Assets - Nondepreciable (Note 5)		3,128,009.01
Capital Assets - Depreciable, Net (Note 5)		40,036,235.64
Total Noncurrent Assets		44,686,509.93
Total Assets		46,532,038.23
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		2,624,765.00
Deferred Outflows Related to Other Postemployment Benefits (Note 13)		518,133.00
Total Deferred Outflows of Resources		3,142,898.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		1,328,674.31
Unearned Revenue		61,830.09
Long-Term Liabilities - Current Portion (Note 7)		352,739.47
Total Current Liabilities		1,743,243.87
Noncurrent Liabilities:		
Long-Term Liabilities, Net (Note 7)		17,898,265.07
Total Liabilities		19,641,508.94
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		60,665.00
Deferred Inflows Related to Other Postemployment Benefits (Note 13)		6,266,922.00
Total Deferred Inflows of Resources		6,327,587.00

NET POSITION		
Net Investment in Capital Assets		40,168,785.54
Restricted for:		
Expendable:		
Scholarships and Fellowships		403,388.00
Capital Projects		569,832.14
Restricted for Specific Programs		817,496.56
Other		118,858.00
Unrestricted		(18,372,519.95)
Total Net Position	$	23,705,840.29

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, 2019 — *Exhibit A-2*

OPERATING REVENUES		
Student Tuition and Fees, Net (Note 10)	$	1,303,948.37
Sales and Services		827,170.09
Other Operating Revenues		109,003.30
Total Operating Revenues		2,240,121.76
OPERATING EXPENSES		
Salaries and Benefits		12,639,062.32
Supplies and Materials		1,485,622.15
Services		2,644,961.06
Scholarships and Fellowships		1,588,395.58
Utilities		701,394.81
Depreciation		1,428,063.05
Total Operating Expenses		20,487,498.97
Operating Loss		(18,247,377.21)
NONOPERATING REVENUES (EXPENSES)		
State Aid		9,836,892.93
County Appropriations		3,818,063.92
Noncapital Grants - Student Financial Aid		2,143,552.77
Noncapital Grants		1,428,256.78
Noncapital Gifts		221,807.29
Investment Income		16,129.02
Interest and Fees on Debt		(57,138.33)
Other Nonoperating Revenues		232,766.87
Net Nonoperating Revenues		17,640,331.25
Loss Before Other Revenues		(607,045.96)
State Capital Aid		1,884,734.72
County Capital Aid		445,365.96
Capital Grants		173,663.52
Increase in Net Position		1,896,718.24
NET POSITION		
Net Position - July 1, 2018		21,809,122.05
Net Position - June 30, 2019	$	23,705,840.29

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 2,294,740.56
Payments to Employees and Fringe Benefits	(13,102,970.55)
Payments to Vendors and Suppliers	(4,827,398.20)
Payments for Scholarships and Fellowships	(1,588,395.58)
Other Receipts	267,086.78
Net Cash Used by Operating Activities	(16,956,936.99)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid	9,836,892.93
County Appropriations	3,818,063.92
Noncapital Grants - Student Financial Aid	2,333,803.65
Noncapital Grants	875,235.68
Noncapital Gifts	221,807.29
Cash Provided by Noncapital Financing Activities	17,085,803.47
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
State Capital Aid	618,080.96
County Capital Aid	445,365.96
Capital Grants	129,564.20
Acquisition and Construction of Capital Assets	(1,570,713.38)
Principal Paid on Capital Debt and Leases	(253,570.12)
Interest and Fees Paid on Capital Debt and Leases	(57,138.33)
Net Cash Used by Capital Financing and Related Financing Activities	(688,410.71)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	16,129.02
Cash Provided by Investing Activities	16,129.02
Net Decrease in Cash and Cash Equivalents	(543,415.21)
Cash and Cash Equivalents - July 1, 2018	1,818,987.58
Cash and Cash Equivalents - June 30, 2019	$ 1,275,572.37

Brunswick Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (18,247,377.21)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	1,428,063.05
Other Nonoperating Income	253,929.41
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	108,737.21
Inventories	(4,932.12)
Net Other Postemployment Benefits Asset	12,985.00
Deferred Outflows Related to Pensions	(542,263.00)
Deferred Outflows Related to Other Postemployment Benefits	(35,924.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	240,489.25
Unearned Revenue	(30,023.04)
Net Pension Liability	708,943.00
Net Other Postemployment Benefits Liability	(1,722,484.00)
Compensated Absences	18,689.46
Deferred Inflows Related to Pensions	(68,279.00)
Deferred Inflows Related to Other Postemployment Benefits	922,509.00
Net Cash Used by Operating Activities	$ (16,956,936.99)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$ 1,028,389.14
Loss on Disposal of Capital Assets	(21,162.54)
Increase in Receivables Related to Nonoperating Income	1,582,560.89

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, 2019

Exhibit B-1

	Without Donor Restrictions	With Donor Restrictions: Purpose or Time Restricted	With Donor Restrictions: Perpetual in Nature	Total
ASSETS				
Cash and Cash Equivalents	$ 70,636.00	$ 451,755.00	$ 0.00	$ 522,391.00
Accounts Receivable	1,235.00			1,235.00
Investments	116,086.00	181,373.00	4,232,532.00	4,529,991.00
Total Assets	$ 187,957.00	$ 633,128.00	$ 4,232,532.00	$ 5,053,617.00
LIABILITIES				
Accounts Payable	$ 0.00	$ 0.00	$ 0.00	$ 0.00
NET ASSETS				
Without Donor Restrictions	71,871.00			71,871.00
Board-Designated	116,086.00		174,061.00	290,147.00
With Donor Restrictions		633,128.00	4,058,471.00	4,691,599.00
Total Net Assets	187,957.00	633,128.00	4,232,532.00	5,053,617.00
Total Liabilities and Net Assets	$ 187,957.00	$ 633,128.00	$ 4,232,532.00	$ 5,053,617.00

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, 2019 ***Exhibit B-2***

	Without Donor Restrictions	With Donor Restrictions: Purpose or Time Restricted	With Donor Restrictions: Perpetual in Nature	Total
SUPPORT AND REVENUE				
Support:				
Contributions	$ 63,100.00	$ 248,216.00	$ 875,327.00	$ 1,186,643.00
Brunswick Guarantee		263,110.00		263,110.00
In-Kind Donations	261,338.00			261,338.00
Interest, Dividends, and Other Realized Gains	5,834.00	52,954.00		58,788.00
Unrealized Gain on Investments		25,583.00		25,583.00
Net Assets Released From Restriction	573,451.00	(573,451.00)		
Total Support and Revenue	903,723.00	16,412.00	875,327.00	1,795,462.00
EXPENSES AND LOSSES				
Expenses:				
Program - Scholarships	430,585.00			430,585.00
Program - Direct and Other	169,320.00			169,320.00
Program - Non-Cash	197,206.00			197,206.00
Administrative	64,661.00			64,661.00
Fundraising	12,867.00			12,867.00
Total Expenses	874,639.00			874,639.00
Change in Net Assets	29,084.00	16,412.00	875,327.00	920,823.00
NET ASSETS				
Net Assets at Beginning of Year	183,873.00	616,716.00	3,332,205.00	4,132,794.00
Transfer	(25,000.00)		25,000.00	
Net Assets at End of Year	$ 187,957.00	$ 633,128.00	$ 4,232,532.00	$ 5,053,617.00

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. Brunswick Community College (College) is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. See below for further discussion of the College's component unit. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

Discretely Presented Component Unit - Brunswick Community College Foundation, Inc. (Foundation) is a legally separate, private 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 fundraising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 27 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 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, 2019, the Foundation distributed $683,905.00 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 aid, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

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

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

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

G. **Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

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	10-100 years
Machinery and Equipment	2-30 years
General Infrastructure	10-75 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. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes notes from direct borrowings and capital leases payable. Other long-term liabilities include: compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2018 *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 12 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the College's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2018 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 13 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

J. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 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 December 31 plus the leave earned, less the leave taken between January 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 December 31 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.

K. Deferred Outflows/Inflows of Resources - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The College has the following items that qualify for reporting in this category: deferred outflows related to pensions and deferred outflows related to other postemployment benefits.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The College has the following items that qualify for reporting in this category: deferred inflows related to pensions and deferred inflows related to other postemployment benefits.

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

Net Investment in Capital Assets - This represents the College's total investment in capital assets, net of outstanding liabilities 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. It also includes the net position of accrued employee benefits such as compensated absences, pension plans, and other postemployment benefits.

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 of resources and deferred inflows of resources. See Note 9 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

M. Scholarship Discounts - Student tuition and fees 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 as approved by the county commissioners.

NOTE 2 - DEPOSITS AND INVESTMENTS

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, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling $930.00, and deposits in private financial institutions with a carrying value of $1,274,642.37 and a bank balance of $1,054,244.13.

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, 2019, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

Component Unit - Investments of the College's discretely presented component unit, 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. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

Investments	Amount
Cash Investments	$ 120,955.00
Money Market Funds	3,435,679.00
Fixed Income	464,916.00
Equity Investments	338,582.00
Exchange Traded	112,434.00
Cash Value of Insurance	57,425.00
Total Investments	$ 4,529,991.00

NOTE 3 - FAIR VALUE MEASUREMENTS

Component Unit - The Foundation reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by U.S. GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices for identical assets or liabilities in active markets to which the Foundation has access at the measurement date.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for many of the assets and liabilities that the Foundation is required to measure at fair value (for example, unconditional promises to give and in-kind donations).

The primary use of fair value measures in the Foundation's financial statements is initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give. Fair values of assets measured on a recurring basis are as follows as of June 30, 2019:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	No Market Data (Level 3)
Cash Investments	$ 120,955.00	$ 120,955.00	$ 0.00	$ 0.00
Money Market Funds	3,435,679.00	3,435,679.00		
Fixed Income	464,916.00	464,916.00		
Equity Investments	338,582.00	338,582.00		
Exchange Traded	112,434.00	112,434.00		
Cash Value of Insurance	57,425.00			57,425.00
	$ 4,529,991.00	$ 4,472,566.00	$ 0.00	$ 57,425.00

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Receivables:			
Students	$ 842,137.92	$ 762,145.42	$ 79,992.50
Student Sponsors	49,328.26		49,328.26
Accounts	4,686.50		4,686.50
Intergovernmental	549,729.75		549,729.75
Total Receivables	$ 1,445,882.43	$ 762,145.42	$ 683,737.01

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2019, is presented as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets, Nondepreciable:				
Land	$ 1,358,228.70	$ 0.00	$ 0.00	$ 1,358,228.70
Construction in Progress	499,326.00	2,030,376.12	759,921.81	1,769,780.31
Total Capital Assets, Nondepreciable	1,857,554.70	2,030,376.12	759,921.81	3,128,009.01
Capital Assets, Depreciable:				
Buildings	47,548,529.49	759,921.81		48,308,451.30
Machinery and Equipment	3,512,140.06	529,841.90	40,837.73	4,001,144.23
General Infrastructure	5,243,446.63	38,884.50		5,282,331.13
Total Capital Assets, Depreciable	56,304,116.18	1,328,648.21	40,837.73	57,591,926.66
Less Accumulated Depreciation for:				
Buildings	13,891,208.81	941,102.25		14,832,311.06
Machinery and Equipment	1,464,755.29	261,560.04	19,675.19	1,706,640.14
General Infrastructure	791,339.06	225,400.76		1,016,739.82
Total Accumulated Depreciation	16,147,303.16	1,428,063.05	19,675.19	17,555,691.02
Total Capital Assets, Depreciable, Net	40,156,813.02	(99,414.84)	21,162.54	40,036,235.64
Capital Assets, Net	$ 42,014,367.72	$ 1,930,961.28	$ 781,084.35	$ 43,164,244.65

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2019, were as follows:

		Amount
Accounts Payable and Accrued Liabilities:		
Accounts Payable	$	167,976.22
Accounts Payable - Capital Assets		558,080.51
Accrued Payroll		535,255.46
Contract Retainage		67,362.12
Total Accounts Payable and Accrued Liabilities	$	1,328,674.31

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2019, is presented as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Long-Term Debt					
Notes from Direct Borrowings	$ 2,220,640.09	$ 0.00	$ 140,584.89	$ 2,080,055.20	$ 143,231.40
Capital Leases Payable		402,946.51	112,985.23	289,961.28	67,902.44
Total Long-Term Debt	2,220,640.09	402,946.51	253,570.12	2,370,016.48	211,133.84
Other Long-Term Liabilities					
Compensated Absences	506,164.60	648,375.42	629,685.96	524,854.06	141,605.63
Net Pension Liability	3,704,591.00	708,943.00		4,413,534.00	
Net Other Postemployment Benefits Liability	12,665,084.00		1,722,484.00	10,942,600.00	
Total Other Long-Term Liabilities	16,875,839.60	1,357,318.42	2,352,169.96	15,880,988.06	141,605.63
Total Long-Term Liabilities	$ 19,096,479.69	$ 1,760,264.93	$ 2,605,740.08	$ 18,251,004.54	$ 352,739.47

Additional information regarding capital lease obligations is included in Note 8.
Additional information regarding the net pension liability is included in Note 12.
Additional information regarding the net other postemployment benefits liability is included in Note 13.

B. Notes from Direct Borrowings - The College was indebted for notes from direct borrowings for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2019	Principal Outstanding June 30, 2019
Energy Savings Performance Contract	Bank of America Leasing	2.65%	9/23/2031	$ 2,420,198.00	$ 340,142.80	$ 2,080,055.20

The annual requirements to pay principal and interest on notes from direct borrowings at June 30, 2019, are as follows:

Fiscal Year	Principal	Interest
2020	$ 143,231.40	$ 53,389.56
2021	146,840.44	49,550.27
2022	152,281.29	45,598.95
2023	156,714.07	41,504.18
2024	160,675.62	37,303.38
2025-2029	877,969.56	119,437.11
2030-2032	442,342.82	13,800.34
Total Requirements	$ 2,080,055.20	$ 360,583.79

C. **Terms of Debt Agreements** - The Colleges' debt agreements are subject to the following collateral requirements and terms with finance-related consequences:

Notes from Direct Borrowings - On January 26, 2016, the College ("Purchaser") entered into an Equipment Installment Financing Agreement with Bank of America, National Association ("Lender"), to finance the purchase of energy conservation measures pursuant to Section 115D-58.15 and Part 2 of Article 3B of Chapter 143 of the *North Carolina General Statutes*. The purpose of the contract was to finance the purchase and installation of equipment utilized in connection with the Energy Cost Savings Measures. The equipment was installed in multiple facilities located on the main campus, and the Purchaser granted a security interest in the equipment for the benefit of the lender.

At the same time, the College also entered into an Energy Savings Agreement with Trane U.S. Inc. for the purpose of providing certain energy conservation measures, consisting of services, systems, and facilities designed to reduce energy consumption and costs in buildings owns and operated by the College. Trane U.S. Inc. guaranteed energy savings from the work from the date of the Certification of Final Acceptance and for fifteen (15) years following such date (the Guaranty Period).

The financing contract calls for repayment by monthly installments for 15 years, beginning October 26, 2016 with a final payment on September 26, 2031. In the event of default by the Purchaser, the Lender may take one or any combination of the following remedial steps:

a) By written notice to Purchaser, Lender may declare all installment payments payable by Purchaser pursuant to the Agreement and other amounts payable by Purchaser hereunder to the end of the term to be due;

b) Lender may enter the premises where the equipment listed in the Agreement is located and take possession of such equipment and sell or lease such equipment for the account of Purchaser, continuing to hold Purchaser liable, but solely from legally available funds, for the difference between (i) the installments payments payable by Purchaser pursuant to the Agreement and other amounts related to the Agreement or the equipment that are payable by Purchaser, and (ii) the net proceeds of any such sale or leasing (after deducting all expenses of Lender in exercising its remedies, hereunder, including without limitation all expenses of taking possession, storing, reconditioning and selling or leasing such equipment and all brokerage, auctioneer's and attorney's fees), subject, however, to the provisions of Section 3.03 of the Agreement. The exercise of any such remedies respecting any such event of default shall not relieve Purchaser of any other liabilities hereunder or the equipment listed; therein

c) Lender may terminate the Escrow Agreement and apply any proceeds in the escrow account to the installment payments due hereunder;

d) Proceed by appropriate court action to enforce performance by Purchaser of the applicable covenants of the agreement or to recover for the breach thereof; provided, however, that nothing herein shall be deemed to allow any judgment for a deficiency or waive any provision of N.C.G.S. 115D-58.15 or any defense the Purchaser may otherwise have;

e) Exercise all rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State of North Carolina and the general laws of the State of North Carolina with respect to the enforcement of the security interest granted or reserved hereunder, including, without limitation, to the extent permitted by law, take possession of any premises and sell, lease, sublease or make other disposition of the same in a commercially reasonable manner for the account of Purchaser, and apply the proceeds of any such sale, lease, sublease or other disposition, after deducting all costs and expenses, including court costs and attorney's fees, incurred with the recovery, repair, storage and other sale, lease, sublease or other disposition costs, toward the balance due under the Agreement, and thereafter, shall pay any remaining proceeds to Purchaser;

f) Require Purchaser to deliver the equipment, at Purchaser's sole expense, to any location within the State of North Carolina designated by Lender, and take possession of any proceeds of the equipment, including net proceeds; or

g) Lender may take whatever action at law or in equity may appear necessary or desirable to enforce its rights under the Agreement or the Escrow Agreement or as a secured party in any or all of the equipment or the escrow account.

Capital Leases Payable - On November 15, 2018 the College (Lessee) entered into a capital lease with Key Government Finance, Inc. (Lessor) to finance network equipment. Lease terms call for a 5-year capital lease with a $1.00 purchase option at the end of the lease. No collateral was pledged, but the lease agreement contains an events of default provision which provides remedies of Lessor upon the occurrence of any event of default.

The Lessor may, in its sole discretion and without notice, exercise one or more of the following remedies without any presentment, demand or protest:

a) Terminate the Agreement and all of Lessee's rights as to any or all items of property;

b) Proceed by appropriate court action to personally, or by its agents, take possession from Lessee of any or all items of property wherever found and for this purpose enter upon Lessee's premises where any item of property is located and remove such item of property free from all claims of any nature whatsoever by Lessee and Lessor may thereafter dispose of the property; provided, however, that any proceeds from the disposition of the property in excess of the sum required to (i) pay to Lessor an amount equal to the total unpaid principal component of lease payments and any other amounts then due under this Agreement, and (ii) pay Lessor's costs and expenses associated with the disposition of the property and the event of default (including attorney's fees), shall be paid to Lessee or such other creditor of Lessee as may be entitled thereto, and further provided that no deficiency shall be allowed against Lessee:

c) Proceed by appropriate court action(s) to enforce performance by Lessee of its obligations or to recover damages for the breach or pursue any other remedy available to Lessor at law or in equity or otherwise:

d) Declare all unpaid lease payments and other sums payable during the current fiscal year of the lease term to be immediately due and payable and/or take any and all actions to which Lessor shall be entitled under applicable law.

NOTE 8 - LEASE OBLIGATIONS

A. Capital Lease Obligations - Capital lease obligations relating to network equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2019:

Fiscal Year	Amount
2020	$ 80,589.30
2021	80,589.30
2022	80,589.30
2023	80,589.30
Total Minimum Lease Payments	322,357.20
Amount Representing Interest (4.29% Rate of Interest)	32,395.92
Present Value of Future Lease Payments	$ 289,961.28

Machinery and equipment acquired under capital lease amounted to $402,946.51 at June 30, 2019.

Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled $40,294.65 at June 30, 2019.

B. 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, 2019:

Fiscal Year	Amount
2020	$ 29,459.25
2021	2,459.25
Total Minimum Lease Payments	$ 31,918.50

Rental expense for all operating leases during the year was $31,822.14.

NOTE 9 - NET POSITION

The deficit in unrestricted net position of $18,372,519.95 has been significantly affected by transactions that resulted in the recognition of deferred outflows of resources and deferred inflows of resources. A summary of the balances reported within unrestricted net position relating to the reporting of net pension liability and net other postemployment benefits (OPEB) liability, and the related deferred outflows of resources and deferred inflows of resources is presented as follows:

	TSERS	Retiree Health Benefit Fund	Total
Deferred Outflows Related to Pensions	$ 2,624,765.00	$ 0.00	$ 2,624,765.00
Deferred Outflows Related to OPEB		478,521.39	478,521.39
Noncurrent Liabilities:			
Long-Term Liabilities:			
Net Pension Liability	4,413,534.00		4,413,534.00
Net OPEB Liability		10,942,600.00	10,942,600.00
Deferred Inflows Related to Pensions	60,665.00		60,665.00
Deferred Inflows Related to OPEB		6,266,922.00	6,266,922.00
Net Effect on Unrestricted Net Position	$ (1,849,434.00)	$ (16,731,000.61)	$ (18,580,434.61)

See Notes 12 and 13 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

NOTE 10 - REVENUES

A summary of discounts 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, Net	$ 2,589,493.72	$ 1,269,256.51	$ 16,288.84	$ 1,303,948.37

NOTE 11 - 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	$ 6,324,738.98	$ 681,509.41	$ 640,330.77	$ 0.00	$ 0.00	$ 0.00	$ 7,646,579.16
Academic Support	1,132,482.24	46,945.80	68,904.32				1,248,332.36
Student Services	851,132.97	20,598.76	165,148.25	24,607.00			1,061,486.98
Institutional Support	2,865,297.32	219,387.14	725,328.37				3,810,012.83
Operations and Maintenance of Plant	969,573.40	477,580.93	777,034.19		701,394.81		2,925,583.33
Student Financial Aid	38,981.43			1,563,788.58			1,602,770.01
Auxiliary Enterprises	456,855.98	39,600.11	268,215.16				764,671.25
Depreciation						1,428,063.05	1,428,063.05
Total Operating Expenses	$ 12,639,062.32	$ 1,485,622.15	$ 2,644,961.06	$ 1,588,395.58	$ 701,394.81	$ 1,428,063.05	$ 20,487,498.97

NOTE 12 - PENSION PLANS

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 pension 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 that elect to join the Retirement System. 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 annual pay. The contribution rate for employers is set each year by the North Carolina 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, 2019 was 12.29% of covered payroll. Employee contributions to the pension plan were $456,788.89, and the College's contributions were $935,655.91 for the year ended June 30, 2019.

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 2018 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.osc.nc.gov/ 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. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

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 External Investment Pool. TSERS and other pension plans of the State of North Carolina are the sole participants in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2018 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2019, the College reported a liability of $4,413,534.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total pension liability to June 30, 2018. 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, 2018, the College's proportion was 0.04433%, which was a decrease of 0.00236 from its proportion measured as of June 30, 2017, which was 0.04669%.

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	12/31/2017
Inflation	3%
Salary Increases*	3.50% - 8.10%
Investment Rate of Return**	7.00%

* Salary increases include 3.5% inflation and productivity factor.
** Investment rate of return includes inflation assumption and is net of pension plan investment expense.

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 mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

Future ad hoc Cost of Living Adjustment 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, 2018 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of 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 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2018 is 1.5%.

Discount Rate: The discount rate used to measure the total pension liability was lowered from 7.20% to 7.00% for the December 31, 2017 valuation. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually 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 at June 30, 2018 calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

Net Pension Liability		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$ 8,417,358.00	$ 4,413,534.00	$ 1,053,930.00

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2019, the College recognized pension expense of $1,040,729.00. At June 30, 2019, 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	$ 322,103.00	$ 44,293.00
Changes of Assumptions	885,683.00	
Net Difference Between Projected and Actual Earnings on Plan Investments	420,611.00	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	60,712.09	16,372.00
Contributions Subsequent to the Measurement Date	935,655.91	
Total	$ 2,624,765.00	$ 60,665.00

The amount of $935,655.91 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as 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
2020	$ 968,147.00
2021	599,785.00
2022	68,235.00
2023	(7,722.91)
Total	$ 1,628,444.09

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

The College participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' 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 2018 *Comprehensive Annual Financial Report.* An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.osc.gov/ or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

Methods Used to Value Plan Investments: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair 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 2018 *Comprehensive Annual Financial Report.*

B. Plan Descriptions

1. Health Benefits

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 14. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, the Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium.

The Plan's and RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The College's contractually-required contribution rate for the year ended June 30, 2019 was 6.27% of covered payroll. The College's contributions to the RHBF were $477,344.39 for the year ended June 30, 2019.

2. Disability Income

Plan Administration: As discussed in Note 14, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, LEAs which are not part of the reporting entity, and the ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of $3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than $10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The College's contractually-required contribution rate for the year ended June 30, 2019 was 0.14% of covered payroll. The College's contributions to DIPNC were $10,658.41 for the year ended June 30, 2019.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2019, the College reported a liability of $10,942,600.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total OPEB liability to June 30, 2018. The College's proportion of the net OPEB 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, 2018, the College's proportion was 0.03841%, which was a decrease of 0.00022 from its proportion measured as of June 30, 2017, which was 0.03863%.

Net OPEB Asset: At June 30, 2019, the College reported an asset of $11,622.00 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2018. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total OPEB asset to June 30, 2018. The College's proportion of the net OPEB asset 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, 2018, the College's proportion was 0.03826%, which was a decrease of 0.00200 from its proportion measured as of June 30, 2017, which was 0.04026%.

Actuarial Assumptions: The total OPEB liabilities (assets) for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities (assets) were then rolled forward to June 30, 2018 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2017	12/31/2017
Inflation	3.00%	3.00%
Salary Increases*	8.10% grading down to 3.50% depending on employee class	3.50% - 8.10%
Investment Rate of Return**	7.00%	3.75%
Healthcare Cost Trend Rate - Medical	6.50% grading down to 5.00% by 2024	6.50% grading down to 5.00% by 2024
Healthcare Cost Trend Rate - Prescription Drug	7.25% grading down to 5.00% by 2027	N/A
Healthcare Cost Trend Rate - Medicare Advantage	5.00%	N/A
Healthcare Cost Trend Rate - Administrative	3.00%	N/A

* Salary increases include 3.5% inflation and productivity factor.
** Investment rate of return is net of pension plan investment expense, including inflation.
N/A - Not Applicable

The OPEB plans currently use 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 studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a 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 projects 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. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2018.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2018 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of 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 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2018 is 1.5%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2017 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2014, as amended for updates to certain assumptions (such as the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.87%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan’s fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.87% was used as the discount rate used to measure the total OPEB liability. The 3.87% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2018.

The discount rate used to measure the total OPEB asset for DIPNC was 3.75%. 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 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 plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents the College’s proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans’ net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	Net OPEB Liability (Asset)		
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
RHBF	$ 12,928,452.00	$ 10,942,600.00	$ 9,350,208.00
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	$ (8,905.00)	$ (11,622.00)	$ (14,228.00)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability (asset) of the plans, as well as what the plans’ net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease (Medical - 4.00 - 5.50%, Pharmacy - 4.00 - 6.25%, Med. Advantage - 4.00%, Administrative - 2.00%)	Current Healthcare Cost Trend Rates (Medical - 5.00 - 6.50%, Pharmacy - 5.00 - 7.25%, Med. Advantage - 5.00%, Administrative - 3.00%)	1% Increase (Medical - 6.00 - 7.50%, Pharmacy - 6.00 - 8.25%, Med. Advantage - 6.00%, Administrative - 4.00%)
RHBF Net OPEB Liability	$ 9,027,122.00	$ 10,942,600.00	$ 13,456,581.00

	1% Decrease (5.50% grading down to 4.00% in 2024)	Current Healthcare Cost Trend Rates (6.50% grading down to 5.00% in 2024)	1% Increase (7.50% grading down to 6.00% in 2024)
DIPNC Net OPEB Asset	(11,656.00)	(11,622.00)	(11,590.00)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2019, the College recognized OPEB contra-expense of $341,379.00 for RHBF and expense of $2,538.00 for DIPNC. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Employer Balances of Deferred Outflows of Resources
Related to OPEB by Classification:

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 0.00	$ 12,077.20	$ 12,077.20
Changes of Assumptions		2,195.00	2,195.00
Net Difference Between Projected and Actual Earnings on Plan Investments	1,177.00	9,051.00	10,228.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions		5,630.00	5,630.00
Contributions Subsequent to the Measurement Date	477,344.39	10,658.41	488,002.80
Total	$ 478,521.39	$ 39,611.61	$ 518,133.00

Employer Balances of Deferred Inflows of Resources
Related to OPEB by Classification:

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 748,303.00	$ 0.00	$ 748,303.00
Changes of Assumptions	4,740,587.00		4,740,587.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	778,032.00		778,032.00
Total	$ 6,266,922.00	$ 0.00	$ 6,266,922.00

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB 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 OPEB Expense:

Year Ended June 30:	RHBF	DIPNC
2020	$ (1,465,979.00)	$ 8,198.03
2021	(1,465,979.00)	8,196.03
2022	(1,465,979.00)	4,752.03
2023	(1,464,809.00)	3,472.03
2024	(402,999.00)	2,170.03
Thereafter		2,165.05
Total	$ (6,265,745.00)	$ 28,953.20

NOTE 14 - 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 $10,000,000 deductible per occurrence. Reinsurance is purchased by the Fund to cover catastrophic events in excess of the $10,000,000 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 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 contributions. Certain plans also require contributions from employees. The Plan has contracted with third parties to process claims. See Note 13, Other Postemployment Benefits, for additional information regarding retiree health benefits.

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.

3. Disability Income Plan

Short-term and long-term disability benefits are provided to College employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the College up to the first six months of benefits and reimbursed by DIPNC for any additional short-term benefits. As discussed in Note 13, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

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 $2,000,000 per claim and $10,000,000 in the aggregate per fiscal year 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 $100,000 deductible. Losses for employees paid from county and institutional funds are covered under a private insurance policy.

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

NOTE 15 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were $3,954,917.85 at June 30, 2019.

NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

Component Unit - For the fiscal year ended June 30, 2019, the Foundation implemented Financial Accounting Standards Board Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update amends the requirements related to net asset classifications for not-for-profit entities. With this update, net assets on the face of the statement of financial position and changes in net assets on the face of the statement of activities are presented using two classes: *net assets with donor restrictions* and *net assets without donor restrictions*, in addition to the previously required total net assets and changes in total net assets.

REQUIRED SUPPLEMENTARY INFORMATION

Brunswick Community College
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
*Last Six Fiscal Years**

Exhibit C-1

Teachers' and State Employees' Retirement System	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net Pension Liability	0.04433%	0.04669%	0.04820%
Proportionate Share of TSERS Collective Net Pension Liability	$ 4,413,534.00	$ 3,704,591.00	$ 4,430,078.00
Covered Payroll	$ 7,530,614.66	$ 7,559,986.40	$ 7,688,374.03
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	58.61%	49.00%	57.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%	89.51%	87.32%

	2016	**2015**	**2014**
Proportionate Share Percentage of Collective Net Pension Liability	0.04656%	0.04791%	0.04980%
Proportionate Share of TSERS Collective Net Pension Liability	$ 1,715,828.00	$ 561,707.00	$ 3,023,367.00
Covered Payroll	$ 7,485,739.43	$ 7,208,275.42	$ 7,523,084.20
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	22.92%	7.79%	40.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* , as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Brunswick Community College
Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years

Exhibit C-2

Teachers' and State Employees' Retirement System	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually Required Contribution	$ 935,655.91	$ 751,555.34	$ 754,486.64	$ 703,486.22	$ 684,945.16
Contributions in Relation to the Contractually Determined Contribution	935,655.91	751,555.34	754,486.64	703,486.22	684,945.16
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 7,613,148.20	$ 7,530,614.66	$ 7,559,986.40	$ 7,688,374.03	$ 7,485,739.43
Contributions as a Percentage of Covered Payroll	12.29%	9.98%	9.98%	9.15%	9.15%

	2014	**2013**	**2012**	**2011**	**2010**
Contractually Required Contribution	$ 626,399.13	$ 626,672.91	$ 536,797.97	$ 379,567.00	$ 255,132.94
Contributions in Relation to the Contractually Determined Contribution	626,399.13	626,672.91	536,797.97	379,567.00	255,132.94
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 7,208,275.42	$ 7,523,084.20	$ 7,215,026.51	$ 7,699,127.72	$ 7,146,580.82
Contributions as a Percentage of Covered Payroll	8.69%	8.33%	7.44%	4.93%	3.57%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the pension RSI tables.

Brunswick Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years

Changes of Benefit Terms:

Cost of Living Increase

Teachers' and State Employees' Retirement System	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%

Changes of Assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience. The discount rate for the Teachers' and State Employees' Retirement System was lowered from 7.25% to 7.20% for the December 31, 2016 valuation. For the December 31, 2017 valuation, the discount rate was lowered to 7.00%.

The Board of Trustees also adopted a new asset valuation method for the Teachers' and State Employees' Retirement System. For determining plan funding requirements, the plan now uses a five-year smoothing method with a reset of the actuarial value of assets to market value as of December 31, 2014.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2018 *Comprehensive Annual Financial Report* .

N/A - Not Applicable

Brunswick Community College
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Three Fiscal Years* ***Exhibit C-3***

Retiree Health Benefit Fund	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability	0.03841%	0.03863%	0.03863%
Proportionate Share of Collective Net OPEB Liability	$ 10,942,600.00	$ 12,665,084.00	$ 18,010,407.00
Covered Payroll	$ 7,530,614.66	$ 7,559,986.40	$ 7,688,374.03
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	145.31%	167.53%	234.26%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina			
Proportionate Share Percentage of Collective Net OPEB Asset	0.03826%	0.04026%	0.04026%
Proportionate Share of Collective Net OPEB Asset	$ 11,622.00	$ 24,607.00	$ 26,324.00
Covered Payroll	$ 7,530,614.66	$ 7,559,986.40	$ 7,688,374.03
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.15%	0.33%	0.34%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	108.47%	116.23%	116.06%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* , as amended.

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Brunswick Community College
Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Ten Fiscal Years

Exhibit C-4

Retiree Health Benefit Fund	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually Required Contribution	$ 477,344.39	$ 460,020.03	$ 438,898.61	$ 429,428.95	$ 410,967.09
Contributions in Relation to the Contractually Determined Contribution	477,344.39	460,020.03	438,898.61	429,428.95	410,967.09
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 7,613,148.20	$ 7,530,614.66	$ 7,559,986.40	$ 7,688,374.03	$ 7,485,739.43
Contributions as a Percentage of Covered Payroll	6.27%	6.11%	5.81%	5.60%	5.49%

	2014	**2013**	**2012**	**2011**	**2010**
Contractually Required Contribution	$ 406,246.55	$ 398,723.46	$ 360,751.33	$ 377,257.26	$ 321,596.14
Contributions in Relation to the Contractually Determined Contribution	406,246.55	398,723.46	360,751.33	377,257.26	321,596.14
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 7,208,275.42	$ 7,523,084.20	$ 7,215,026.51	$ 7,699,127.72	$ 7,146,580.82
Contributions as a Percentage of Covered Payroll	5.64%	5.30%	5.00%	4.90%	4.50%

Disability Income Plan of North Carolina	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually Required Contribution	$ 10,658.41	$ 10,645.09	$ 28,727.95	$ 31,440.33	$ 30,691.53
Contributions in Relation to the Contractually Determined Contribution	10,658.41	10,645.09	28,727.95	31,440.33	30,691.53
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 7,613,148.20	$ 7,530,614.66	$ 7,559,986.40	$ 7,688,374.03	$ 7,485,739.43
Contributions as a Percentage of Covered Payroll	0.14%	0.14%	0.38%	0.41%	0.41%

	2014	**2013**	**2012**	**2011**	**2010**
Contractually Required Contribution	$ 33,101.57	$ 33,101.57	$ 37,518.14	$ 40,035.46	$ 37,162.22
Contributions in Relation to the Contractually Determined Contribution	33,101.57	33,101.57	37,518.14	40,035.46	37,162.22
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 7,208,275.42	$ 7,523,084.20	$ 7,215,026.51	$ 7,699,127.72	$ 7,146,580.82
Contributions as a Percentage of Covered Payroll	0.46%	0.44%	0.52%	0.52%	0.52%

Note: Changes in benefit terms, methods, and assumptions are presented in the Notes to Required Supplementary Information (RSI) schedule following the OPEB RSI tables.

Brunswick Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Ten Fiscal Years

Changes of Benefit Terms: Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of four options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of four options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months following the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of College Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the Disability Income Plan of North Carolina (DIPNC). See Note 13 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the State Health Plan adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement and rates of termination from active employment were reduced to more closely reflect actual experience.

In 2018, for the December 31, 2017 actuarial valuation, the discount rate for the RHBF was updated to 3.87% and the medical and prescription drug claims cost were changed based on most recent experience. Enrollment assumptions were updated to model expected migrations among RHBF plan options and trend assumptions for the RHBF include contribution changes for the 2019 period as those amounts have been finalized.

Additionally, the December 31, 2017 DIPNC actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2018 *Comprehensive Annual Financial Report* .

Independent Auditor’s Report

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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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
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 (College), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2019, 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 12, 2020. Our report includes a reference to other auditors who audited the financial statements of Brunswick Community College Foundation, Inc., 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 on separately by those auditors. The financial statements of Brunswick 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 Brunswick Community College Foundation, Inc.

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 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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

May 12, 2020

Ordering Information

Copies of this report may be obtained by contacting:

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North Carolina Office of the State Auditor at 919-807-7666.

This audit required 446 hours at an approximate cost of $46,384.