STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

BLUE RIDGE COMMUNITY COLLEGE

FLAT ROCK, 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, Blue Ridge Community College

We have completed a financial statement audit of Blue Ridge 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

Beth A. Wood, CPA
State Auditor

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State Auditor

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Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency 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

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Raleigh, NC 27699-0600
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Beth A. Wood, CPA
State Auditor

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Blue Ridge Community College
Flat Rock, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Blue Ridge 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 Blue Ridge Community College Educational 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 Blue Ridge Community College Educational 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 Blue Ridge Community College Educational 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.

<u>Opinions</u>

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 Blue Ridge 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.

<u>Other Matters – Required Supplementary Information</u>

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.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 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

February 11, 2020

Management's Discussion and Analysis

Purpose

The information in Management's Discussion and Analysis (MD&A) is intended to provide a general overview of Blue Ridge Community College's (College) financial statements, and is a summary of the accompanying financial statements. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information. For more information, please contact the Chief Financial Officer at (828) 694-1730.

Overview of the Financial Statements

In accordance with GASB Statements No. 34 and No. 35, the financial statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. The full scope of the College's activities is considered to be a single, business-type activity. The financial statements are prepared under an accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

The College's financial statements also include financial statements from its discretely presented component unit, Blue Ridge Community College Educational Foundation, Inc. (Foundation); however, a discussion concerning the Foundation's financial statements is not included in the MD&A.

The financial statements contain three basic statements:

- The Statement of Net Position presents the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. Net position reflects the differences in revenues and expenses over the life of the College. Net position is one indicator of the current financial position of the College when considered with certain nonfinancial facts such as enrollment levels and the age and condition of its buildings. (Exhibit A-1)

- The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as operating or nonoperating. The financial reporting model classifies state and county appropriations as nonoperating revenue through which the College receives the majority of its funding. Therefore, this classification of appropriations usually results in an operating loss. Additionally, depreciation is recognized and is presented as an operating expense. (Exhibit A-2)

- The Statement of Cash Flows presents the cash inflows and outflows of the College for the year summarizing by operating, capital, noncapital, and investing activities. The statement provides a reconciliation of cash balances at the beginning of the year to cash balances at the end of the year. (Exhibit A-3)

The Notes to the Financial Statements provide additional information that is essential for a complete understanding of the data provided in the statements.

Financial Analysis

Condensed Statement of Net Position

The College's Statement of Net Position for the fiscal year ended June 30, 2018 and the fiscal year ended June 30, 2019 is displayed in the following table for comparative analysis:

	2019	2018	Increase/ (Decrease)
Assets			
Current Assets	$ 1,863,112	$ 1,181,621	$ 681,491
Noncurrent Assets	865,061	733,521	131,540
Capital Assets, Net	44,912,133	45,563,098	(650,965)
Total Assets	47,640,306	47,478,240	162,066
Total Deferred Outflows of Resources	6,327,705	3,750,138	2,577,567
Liabilities			
Current Liabilities	1,061,436	1,216,514	(155,078)
Long-Term Liabilities	23,320,303	23,088,950	231,353
Total Liabilities	24,381,739	24,305,464	76,275
Total Deferred Inflows of Resources	9,017,377	7,169,024	1,848,353
Net Position			
Net Investment in Capital Assets	44,875,008	45,430,131	(555,123)
Restricted	1,075,821	1,114,802	(38,981)
Unrestricted	(25,381,934)	(26,791,043)	1,409,109
Total Net Position	$ 20,568,895	$ 19,753,890	$ 815,005

Assets

The assets of the College are divided between current and noncurrent assets. Current assets consist of cash, receivables expected to be collected within one year, inventories, and prepaid items. Noncurrent assets consist of cash which is restricted or designated for capital acquisition or construction or otherwise unavailable for current expenses, net other postemployment benefits (OPEB) asset, and nondepreciable and depreciable capital assets, net of depreciation.

Current assets in the fiscal year ended June 30, 2019 increased $681,491 when compared to the fiscal year ended June 30, 2018 primarily due to the following:

- Cash and cash equivalents increased $710,245 primarily due in part to an increase in specific and project fees received. Additionally, unexpended county cash increased due to projects that were not capitalized and were completed sixty to ninety days after the end of the fiscal year.
- Net receivables decreased $86,116 primarily due to the following: a $33,386 decrease in student receivables; a $24,761 decrease in disability receivables due from the North Carolina State Treasurer's Office; a $13,657 decrease in facility fee rental receivables; and a $15,930 increase in amounts due from the Land of Sky Regional Council for the

Finish Line and Workforce Innovation and Opportunity Act grants and U.S. Forest Service Schenck grant. The decrease in student receivables can be attributed to earlier payment of tuition and fees.

- Inventories decreased $11,748. This decrease is due to a decrease in cosmetology and esthetics, custodial, and grounds supplies.
- Prepaid items increased $127,021 due to an increase in the College's state budget availability during the 4th quarter of 2019 when compared to the 4th quarter of 2018, which resulted in an increase of prepayment of dues, memberships, and postage escrow.

Total noncurrent assets decreased $519,425 in the fiscal year ended June 30, 2019 when compared to the fiscal year ended June 30, 2018 primarily due to the following:

- Restricted cash and cash equivalents increased $149,492 primarily due to an increase in unexpended funds in capital projects accounts.
- Net OPEB asset decreased $17,952 due to a change in the actuarial valuation.
- Capital assets, nondepreciable, decreased $622,942 due to completion of the Spearman Building addition.
- Capital assets, depreciable, decreased $28,022 due to depreciation and write-offs offset by the completion of the Spearman Building addition.

Refer to Note 6 of the financial statements for detail of the changes in capital assets by category.

Deferred Outflows of Resources

Deferred outflows of resources totaled $6,327,705 for fiscal year ended June 30, 2019 and primarily include pension and OPEB contributions subsequent to the measurement date, changes in assumptions, and changes in proportion and differences between the College's contributions and proportionate share of pension and OPEB contributions (which represented the largest component of the increase from the prior year). Refer to Notes 12 and 13 of the financial statements for a detailed analysis of deferred outflows of resources.

Liabilities

The College's liabilities are divided between current liabilities payable within twelve months and long-term liabilities that extend beyond a year. Current liabilities are primarily limited to accounts payable, unearned tuition revenue, and the current portion of accrued employee leave estimated to be paid during the next fiscal year. Long-term liabilities include the portion of accrued employee leave that will not be paid within the next fiscal year, calculated at the current salary rates for each employee, consistent with the institution's leave policies. Also included in long-term liabilities is net pension liability, which represents the College's proportionate share of the collective net pension liability for the Teachers' and State Employees' Retirement System (TSERS), and a net OPEB liability. The College did not enter into any new financial arrangements during the year.

Current liabilities decreased $155,078 in the fiscal year ended June 30, 2019 when compared to the fiscal year ended June 30, 2018 primarily due to the following:

- Accounts payable and accrued liabilities decreased $175,288 due to a decrease of $236,990 in amounts due to accounts payable vendors and an increase of $61,702 in amounts due to employees. An increase in the College's state and county budgets and institutional cash availability during the 4th quarter of 2019 when compared to the 4th quarter of 2018, resulted in the College paying accounts payable vendors prior to June 30, 2019, which resulted in a decrease in accounts payable accruals. The 2 percent state-funded salary increase that occurred during the fiscal year ended June 30, 2019, resulted in an increase in amounts due to employees.
- Unearned revenue decreased $69,043 due to a decrease in enrollment for students in the College's Economic and Workforce Development/Continuing Education division.
- The current portion of long-term liabilities increased $84,940 due to an increase in the current portion of compensated absences accrued for employee leave at June 30, 2019. The increase can be attributed to special annual bonus leave being included in the current portion of the compensated absences accrual.

Long-term liabilities increased $231,353 and is primarily the result of changes in the actuarial valuations for the net pension liability and net OPEB liability. See Note 8 of the notes to the financial statements for further details.

Deferred Inflows of Resources

The College's deferred inflows of resources totaled $9,017,377 for the fiscal year ended June 30, 2019. The increase is primarily due to changes in assumptions made by actuaries for the OPEB plans. Refer to Note 13 of the financial statements for further details.

The effect of GASB Statement No. 75 on college financials is much more significant than the effect of GASB Statement No. 68. Less than three percent of the assets held in trust for the State of North Carolina's pension are held in trust for OPEB. With $1.9 billion available to pay over $30.4 billion in liabilities, it is clear that the unfunded net OPEB liability of $28.5 billion (almost three times the net pension liability) is more significant to recognize than the net pension liability booked as a result of GASB Statement No. 68. Refer to Note 9 of the financial statements for further details.

Net Position

For reporting purposes, net position is divided into four categories: net investment in capital assets, restricted nonexpendable, restricted expendable, and unrestricted.

- Net investment in capital assets represents the College's capital assets net of accumulated depreciation and capital-related liabilities. The decrease of $555,123 in net investment in capital assets is due an increase in depreciation expense and disposal of machinery and equipment.
- Nonexpendable restricted nonexpendable net position includes an endowment whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity. There was no change in nonexpendable restricted net position during fiscal year 2019.

- Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties. Restricted expendable net position decreased $38,981 during fiscal year 2019.
- Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income. There was a deficit in unrestricted net position of $25,381,934 for the fiscal year ended June 30, 2019 which represents an increase of $1,409,109 over the prior year, and is substantially attributable to fluctuations in pension and OPEB balances. Refer to Note 9 of the financial statements for further detail.

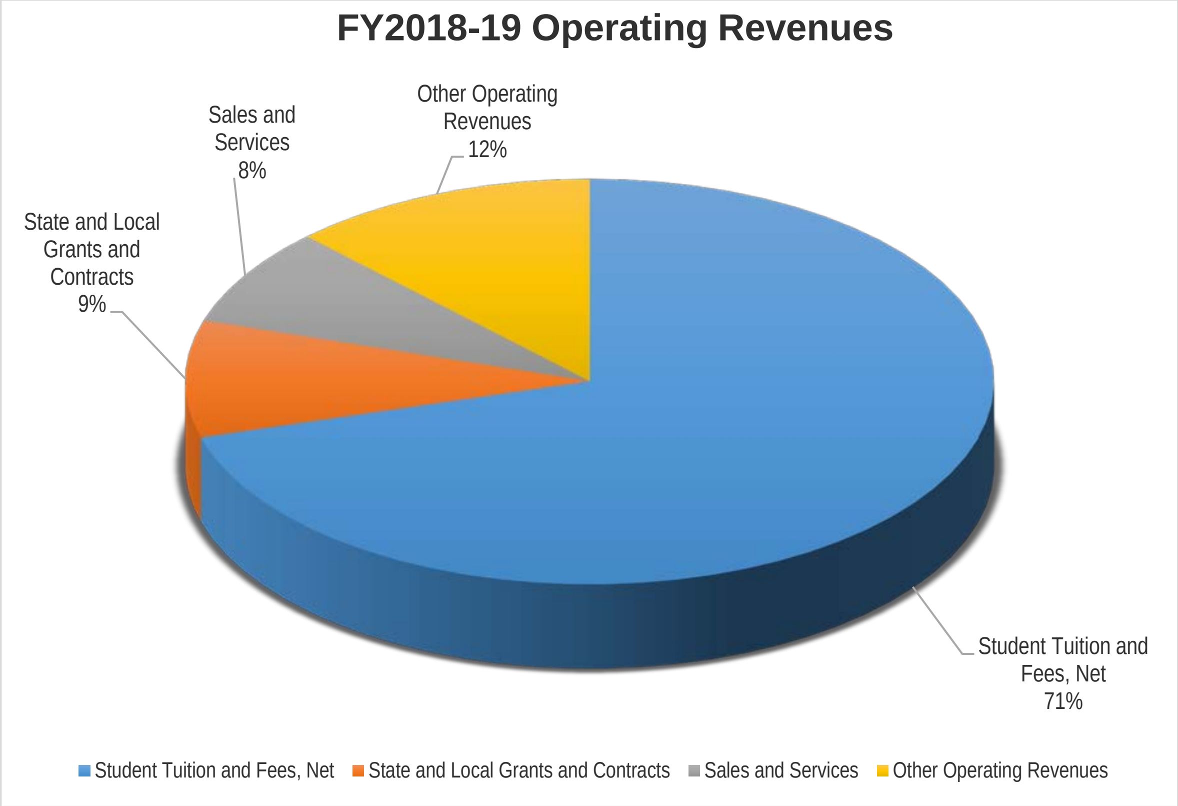
Statement of Revenues, Expenses, & Changes in Net Position

The College's Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2018 and the fiscal year ended June 30, 2019 is displayed in the following table for comparative purposes:

	2019	2018	Increase / (Decrease)
Operating Revenues			
Student Tuition and Fees, Net	$ 2,200,238	$ 2,116,592	$ 83,646
State and Local Grants and Contracts	291,380	320,508	(29,128)
Sales and Services	244,213	207,624	36,589
Other Operating Revenues	384,422	280,000	104,422
Total Operating Revenues	3,120,253	2,924,724	195,529
Operating Expenses			
Salaries and Benefits	16,407,978	16,834,527	(426,549)
Supplies and Materials	1,557,021	2,043,519	(486,498)
Services	2,848,713	2,896,298	(47,585)
Scholarships and Fellowships	2,094,082	2,136,739	(42,657)
Utilities	587,433	573,737	13,696
Depreciation	1,775,845	1,202,797	573,048
Total Operating Expenses	25,271,072	25,687,617	(416,545)
Operating Loss	(22,150,819)	(22,762,893)	612,074
Nonoperating Revenues (Expenses)			
State Aid	12,138,441	11,323,247	815,194
County Appropriations	3,811,212	3,374,012	437,200
Noncapital Grants - Student Financial Aid	2,912,887	3,048,459	(135,572)
Noncapital Grants	883,275	651,711	231,564
Noncapital Gifts	574,857	513,016	61,841
Investment Income	20,019	15,981	4,038
Other Nonoperating Revenues (Expenses)	(76,078)	94,605	(170,683)
Net Nonoperating Revenues	20,264,613	19,021,031	1,243,582
Loss Before Other Revenues	(1,886,206)	(3,741,862)	1,855,656
State Capital Aid	1,656,587	1,273,648	382,939
County Capital Aid	951,300	4,120,666	(3,169,366)
Capital Grants	14,217	49,581	(35,364)
Capital Gifts	79,107	200	78,907
Total Other Revenues	2,701,211	5,444,095	(2,742,884)
Increase in Net Position	815,005	1,702,233	(887,228)
Net Position			
Net Position - Beginning of the Year	19,753,890	18,051,657	1,702,233
Net Position - End of the Year	$ 20,568,895	$ 19,753,890	$ 815,005
Reconciliation of Increase in Net Position			
Total Revenues	$ 26,162,155	$ 27,389,850	$ (1,227,695)
Less: Total Expenses	25,347,150	25,687,617	(340,467)
Increase in Net Position	$ 815,005	$ 1,702,233	$ (887,228)

Operating Revenues

The major components of operating revenues include: net student tuition and fees, state and local operating grants, sales and service revenue, and other operating revenues. Total operating revenues increased $195,529 for the year ended June 30, 2019 when compared to the year ended June 30, 2018, due primarily to an increase of $83,646 in net student tuition and fees due to an increase in enrollment and a $104,422 increase in other operating revenues due primarily to an increase in specific course fees.



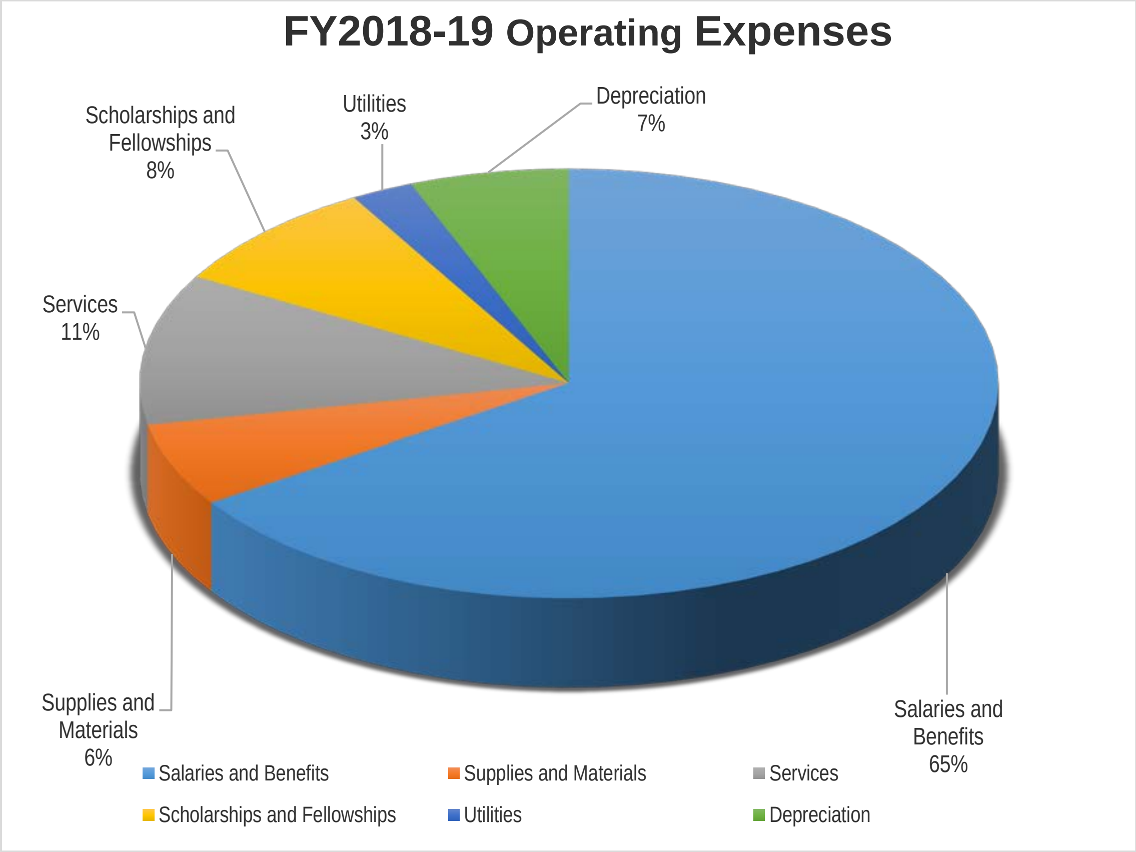
Operating Expenses

Operating expenses are expenses used to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. The majority of operating expenses are for direct cost of salaries and fringe benefits. Other expenses are for operating activities which are necessary and essential to the mission of the College. Depreciation expense is identified consistent with the requirements for GASB Statements No. 34 and 35.

Operating expenses decreased $416,545 in the fiscal year ended June 30, 2019 when compared to the fiscal year ended June 30, 2018. The decrease is due primarily to the following:

- Salaries and benefits decreased $426,549 due to a 2% state funded salary increase that was offset by a significant decrease in the College's pro-rata share of the State's net OPEB expense due to changes in actuarial valuations.

- Supplies and materials expense decreased $486,498 primarily due to a decrease in expenditures related to Connect NC bond funding, which were not capitalized.
- Depreciation increased by $573,048 due to the addition of capital assets in the current period and late in the prior year.

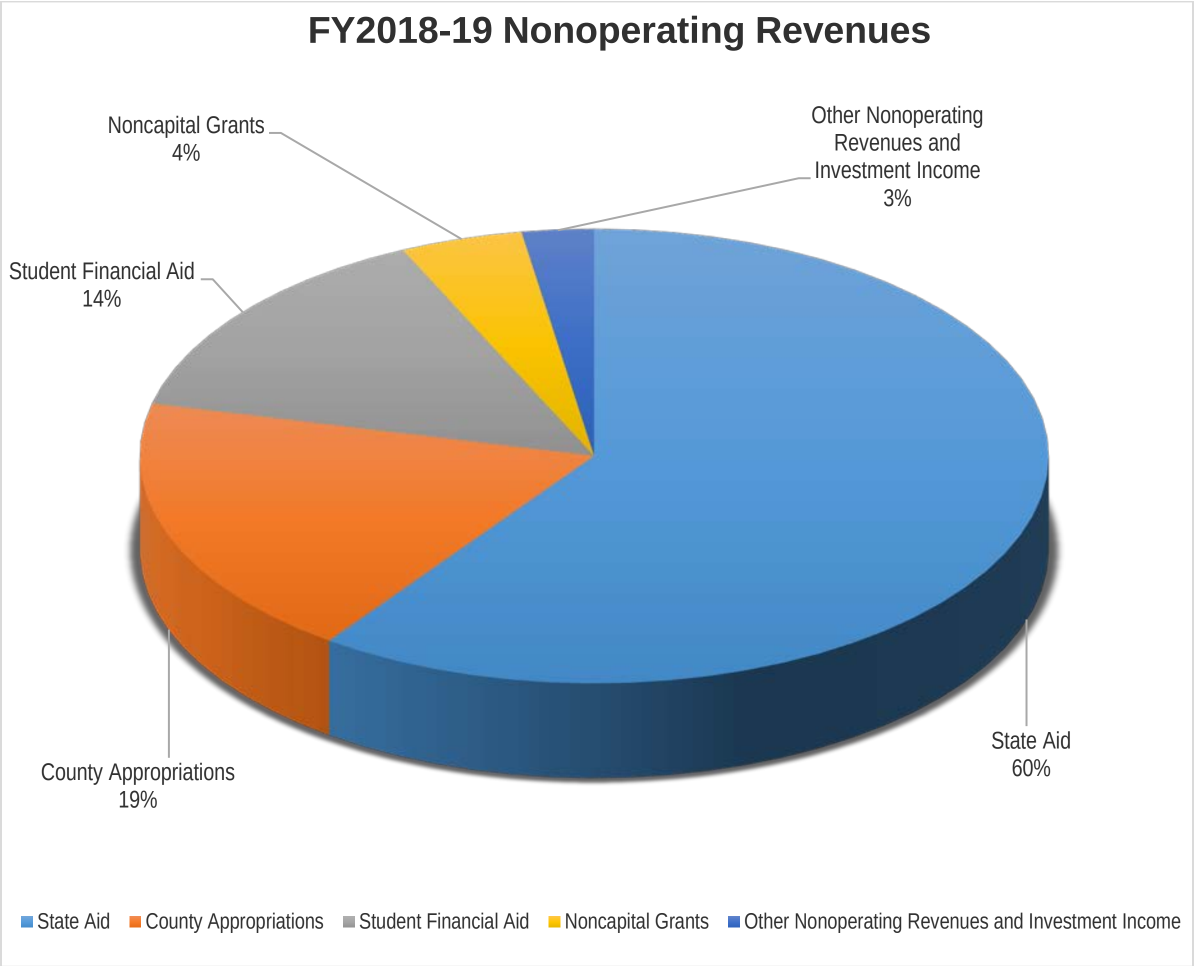


Nonoperating Revenues and Expenses

Net nonoperating revenues increased $1,243,582 in the fiscal year ended June 30, 2019 when compared to the fiscal year ended June 30, 2018. The increase is due primarily to the following:

- State aid increased $815,194 primarily due to an increase in total budget full-time equivalent and a non-recurring allocation for Economic and Workforce Development/Continuing Education.
- County appropriations increased $437,200 due to an increase in appropriations from Henderson and Transylvania Counties.
- Student financial aid decreased $135,572 primarily due to a decrease in students eligible for Pell grant awards.
- Noncapital grants increased $231,564 primarily due to an Appalachian Regional Commission (ARC) grant award and increases in grant awards from the Land of Sky Regional Council for the Finish Line and Workforce Innovation and Opportunity Act grants.
- Noncapital gifts increased $61,841 due to an increase in support from the Foundation.

- Other nonoperating expenses increased $170,683 due to a loss on disposal of capital assets and a decrease in revenue for the Professional Development Institute.



Capital Aid

Capital contributions are received through: aid from the North Carolina State Board of Community Colleges under a formula allocation for educational equipment and library books, aid received from the Henderson County and Transylvania County Boards of Commissioners, and capital grants and gifts.

State capital aid increased $382,939 due to an increase in Connect NC bond funding. County capital aid decreased $3,169,366 primarily due to the completion of the Innovative High School, for which the College received non-cash aid from Henderson County. Capital gifts increased $78,907 due to an increase in capital equipment donated by the Foundation.

Future Capital Asset Activity

During the fiscal year ending June 30, 2020, the College will continue to use Connect NC bond funding for a number of capital projects including the following: renovation of the second floor of the Sink Building, an expansion of the Arts & Sciences Building science labs to meet the needs of the students, and the renovation of the Straus Building at the Transylvania County Campus.

During the fiscal year ending June 30, 2020, the Trustees of Blue Ridge Community College will enter into an agreement with the Henderson County Board of Commissioners by which the College shall convey to Henderson County real property in connection with additions, improvements, and renovations or repairs to the College's real property located on the west side of the College's Henderson County Campus. Henderson County shall finance and be responsible for the construction of the buildings. During the finance period, the College and Henderson County shall enter into a lease for use of the buildings by the College.

Economic Factors and Next Year's Budget

The College's ability to carry out its mission and maintain a solid financial foundation is directly influenced by state, federal, and county support, student enrollment, as well as the availability of financial aid for students.

The College received reaffirmation of accreditation through 2028 from the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) on June 13, 2019. The College received the best possible review, with the committee finding the College in compliance with all 87 standards and offering no recommendations for follow-up. Accreditation by SACSCOC is essential to the continued operation of the College.

The State of North Carolina provides the majority of funding for the College through its current operating and capital allocations. Most of the funding the College receives from the State is based upon enrollment. Overall, the College's budget full-time equivalent enrollment remained relatively flat for the summer and fall semesters of 2018 and the spring of 2019. Preliminary budget full-time equivalent enrollment for the fall of 2019 indicates a 6.7% increase in curriculum enrollment when compared to the fall of 2018. The College continues to invest in strategies to effectively market services and program availability for areas where there are emerging markets forecasting job growth and demand for a qualified workforce. The College continues to develop and refine strategies to increase enrollment by strengthening our high school recruitment programs.

County appropriations remain strong with support from the Henderson County Board of Commissioners and the Transylvania County Board of Commissioners. The level of support the College receives from Henderson and Transylvania counties is critical to its mission and directly impacts the ability to maintain and improve facilities.

The College actively pursues other resources and grants to supplement its core funding. Significant grant awards in the fiscal year ended June 30, 2019 included an Appalachian Regional Commission (ARC) grant award to provide funding for the purchase and installation of plastics training equipment to offer new and incumbent worker training in the plastics industry in Henderson, Transylvania, Buncombe, and Polk counties.

Management is confident that the College is well positioned to strengthen its financial position and continue to provide a superior level of service to its students.

FINANCIAL STATEMENTS

Blue Ridge Community College
Statement of Net Position — *Exhibit A-1*
June 30, 2019 — *Page 1 of 2*

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	1,137,585
Restricted Cash and Cash Equivalents		244,288
Receivables, Net (Note 5)		165,744
Inventories		55,932
Prepaid Items		259,477
Notes Receivable, Net (Note 5)		86
Total Current Assets		1,863,112
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		847,728
Net Other Postemployment Benefits Asset		17,333
Capital Assets - Nondepreciable (Note 6)		1,590,270
Capital Assets - Depreciable, Net (Note 6)		43,321,863
Total Noncurrent Assets		45,777,194
Total Assets		47,640,306
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		3,913,761
Deferred Outflows Related to Other Postemployment Benefits (Note 13)		2,413,944
Total Deferred Outflows of Resources		6,327,705
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 7)		579,520
Unearned Revenue		235,899
Funds Held for Others		41,941
Long-Term Liabilities - Current Portion (Note 8)		204,076
Total Current Liabilities		1,061,436
Noncurrent Liabilities:		
Long-Term Liabilities (Note 8)		23,320,303
Total Liabilities		24,381,739
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		71,137
Deferred Inflows Related to Other Postemployment Benefits (Note 13)		8,946,240
Total Deferred Inflows of Resources		9,017,377

NET POSITION		
Net Investment in Capital Assets		44,875,008
Restricted for:		
Nonexpendable:		
Loans		1,500
Expendable:		
Scholarships and Fellowships		35,399
Loans		12,923
Capital Projects		882,768
Restricted for Specific Programs		143,231
Unrestricted		(25,381,934)
Total Net Position	$	20,568,895

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

Blue Ridge 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)	$	2,200,238
State and Local Grants and Contracts		291,380
Sales and Services		244,213
Other Operating Revenues		384,422
Total Operating Revenues		3,120,253
OPERATING EXPENSES		
Salaries and Benefits		16,407,978
Supplies and Materials		1,557,021
Services		2,848,713
Scholarships and Fellowships		2,094,082
Utilities		587,433
Depreciation		1,775,845
Total Operating Expenses		25,271,072
Operating Loss		(22,150,819)
NONOPERATING REVENUES (EXPENSES)		
State Aid		12,138,441
County Appropriations		3,811,212
Noncapital Grants - Student Financial Aid		2,912,887
Noncapital Grants		883,275
Noncapital Gifts		574,857
Investment Income		20,019
Other Nonoperating Expenses		(76,078)
Net Nonoperating Revenues		20,264,613
Loss Before Other Revenues		(1,886,206)
State Capital Aid		1,656,587
County Capital Aid		951,300
Capital Grants		14,217
Capital Gifts		79,107
Increase in Net Position		815,005
NET POSITION		
Net Position - July 1, 2018		19,753,890
Net Position - June 30, 2019	$	20,568,895

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

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

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	2,768,814
Payments to Employees and Fringe Benefits		(16,746,142)
Payments to Vendors and Suppliers		(5,244,484)
Payments for Scholarships and Fellowships		(2,092,523)
Other Receipts		406,177
Net Cash Used by Operating Activities		(20,908,158)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid		12,138,441
County Appropriations		3,811,212
Noncapital Grants - Student Financial Aid		2,912,887
Noncapital Grants		865,803
Noncapital Gifts		574,857
William D. Ford Direct Lending Receipts		1,710,914
William D. Ford Direct Lending Disbursements		(1,710,914)
Net Cash Provided by Noncapital Financing Activities		20,303,200
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES		
State Capital Aid		1,656,587
County Capital Aid		951,300
Capital Grants		14,217
Capital Gifts		79,107
Acquisition and Construction of Capital Assets		(1,314,238)
Net Cash Provided by Capital Financing and Related Financing Activities		1,386,973
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		20,019
Net Increase in Cash and Cash Equivalents		802,034
Cash and Cash Equivalents - July 1, 2018		1,427,567
Cash and Cash Equivalents - June 30, 2019	$	2,229,601

Blue Ridge 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	$	(22,150,819)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense		1,775,845
Allowances, Write-Offs, and Amortizations		208
Other Nonoperating Income		17,440
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		103,587
Inventories		11,747
Prepaid Items		(127,021)
Net Other Postemployment Benefits Asset		17,952
Deferred Outflows Related to Pensions		(824,689)
Deferred Outflows Related to Other Postemployment Benefits		(1,752,878)
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		(79,447)
Unearned Revenue		(69,043)
Funds Held for Others		4,314
Net Pension Liability		1,276,058
Net Other Postemployment Benefits Liability		(985,329)
Compensated Absences		25,564
Deferred Inflows Related to Pensions		(115,613)
Deferred Inflows Related to Other Postemployment Benefits		1,963,966
Net Cash Used by Operating Activities	$	(20,908,158)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$	37,125
Loss on Disposal of Capital Assets		(93,518)
Increase in Receivables Related to Nonoperating Income		17,472

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

Blue Ridge Community College Educational Foundation, Inc.
Statement of Financial Position
June 30, 2019 — *Exhibit B-1*

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	543,382
Promises to Give		45,578
Other Receivables		1,640
Asset Available-For-Sale		16,656
Total Current Assets		607,256
Investments		12,934,438
Total Assets	$	13,541,694
LIABILITIES		
Total Liabilities	$	0
NET ASSETS		
Without Donor Restrictions		1,249,754
With Donor Restrictions		12,291,940
Total Net Assets		13,541,694
Total Liabilities and Net Assets	$	13,541,694

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

Blue Ridge Community College Educational Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2019 — *Exhibit B-2*

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Contributions	$ 380,898	$ 410,073	$ 790,971
Interest and Dividends, Net	38,057	161,834	199,891
Net Realized and Unrealized Gains on Investments	73,952	357,790	431,742
Transfers	7,163	(7,163)	
Other	274	1,669	1,943
Net Assets Released from Restrictions	626,682	(626,682)	
Total Public Support and Revenues	1,127,026	297,521	1,424,547
EXPENSES			
Program Services	1,049,834		1,049,834
Supporting Services	43,503		43,503
Total Expenses	1,093,337		1,093,337
Increase in Net Assets	33,689	297,521	331,210
Net Assets at Beginning of Year	1,216,065	11,994,419	13,210,484
Net Assets at End of Year	$ 1,249,754	$ 12,291,940	$ 13,541,694

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. Blue Ridge 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 - Blue Ridge Community College Educational Foundation, Inc. (Foundation) is a legally separate, nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 19 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2019, the Foundation distributed $653,965 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation by calling 828-694-1710.

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, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The College's equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 3.

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, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.

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
Art, Literature, and Artifacts	10-25 years
General Infrastructure	10-75 years

The outdoor sculpture collection, acquired prior to July 1, 2015, is capitalized at fair value at the date of donation. The collection is depreciated over the life of the collection using the straight-line method.

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: compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability that will not be paid within the next fiscal year.

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

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because the College has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

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

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

Unrestricted Net Position - Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income. 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. Internal Sales Activities - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as printing and copying services. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

P. County Appropriations - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, maintenance of equipment, to supplement the salaries of full-time faculty whose job responsibilities are at least 50% directly involved in the delivery of instruction, and to supplement the salaries of direct reports to the College President (excluding the Executive Assistant and Director of the Educational Foundation). Unexpended county current appropriations and county capital aid do not revert and are available for future use by the College.

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 $1,950, and deposits in private financial institutions with a carrying value of $1,166,053 and a bank balance of $1,398,911.

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.

The College is authorized to invest idle funds as provided by G.S. 115D-58.6. In accordance with this statute, the College and the Board of Trustees manage investments to ensure they can be converted into cash when needed.

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6(d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3 (STIF); obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2019, the amount shown on the Statement of Net Position as cash and cash equivalents includes $1,061,598, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2019. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at https://www.nctreasurer.com/ in the Audited Financial Statements section.

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:

At June 30, 2019	Amount
Cash and Money Market Funds	$ 703,260
Common Stock	7,863,957
Real Estate Investment Trust and Unit Trust Funds	140,943
Mutual Funds	1,155,461
Government Bonds	765,522
Corporate Bonds	844,323
Mortgage Backed Securities	327,418
Alternative Investments	1,133,554
Total Investments	$ 12,934,438

NOTE 3 - FAIR VALUE MEASUREMENTS

College - To the extent available, the College's investments are recorded at fair value as of June 30, 2019. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 — Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 — Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.

Level 3 — Investments classified as Level 3 have unobservable inputs and may require a degree of professional judgment.

Short-Term Investment Fund - At year-end, all of the College's investments valued at $1,061,598 were held in the STIF. Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The College's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Component Unit - Investments are recorded in the Foundation's financial statements at estimated fair value in accordance with the fair value hierarchy. The Foundation's interests in alternative investment funds, such as hedge funds, are generally reported at the net asset value (NAV) reported by fund managers. NAV is used as a practical expedient to estimate fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2019, the Foundation had no plans to sell investments at amounts different from NAV. In accordance with U.S. GAAP, funds measured using NAV as a practical expedient to estimate fair value are not assigned a level within the fair value hierarchy.

Fair values of investments are determined as follows:

Cash and Money Market Funds

Cash and money market funds are valued using observable market data and are categorized as Level 1 to the degree that they can be valued based on quoted market prices in active markets. Although these funds are readily available, it is the intent of the Foundation to hold them for investment purposes and therefore has classified them as investments.

Equity Investments

Equity investments consist of corporate stocks, real estate investment trusts (REIT), unit trust funds, and daily traded mutual funds. Securities held in corporate stocks, REITs, unit trust funds, and daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

Debt Investments

Debt investments consist of U.S. government obligations, corporate bonds, and mortgage backed securities. All investments in debt securities are valued based on quoted market prices in active markets and are categorized as Level 2.

Alternative Investments

Alternative investments consist of a fund of hedge funds. All alternative investments are valued at NAV as reported by the fund manager.

The following table sets forth carrying amounts and estimated fair values for financial instruments:

	Fair Value	Fair Value Measurements Using Level 1	Level 2	Level 3
Cash and Money Market Funds	$ 703,260	$ 703,260	$ 0	$ 0
Equity Investments:				
Common Stock	7,863,957	7,863,957		
Real Estate Investment Trust and Unit Trust Funds	140,943	140,943		
Mutual Funds	1,155,461	1,155,461		
Debt Investments:				
Government Bonds	765,522		765,522	
Corporate Bonds	844,323		844,323	
Mortgage Backed Securities	327,418		327,418	
Total Investments in Fair Value Hierarchy	11,800,884	$ 9,863,621	$ 1,937,263	$ 0
Alternative Investments Measured at NAV as a Practical Expedient*	1,133,554			
Total Investments Measured at Fair Value	$ 12,934,438			

* In accordance with GAAP, certain investments that were measured at NAV as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to amounts presented in the Statement of Financial Position.

Investments valued at $1,133,554 as of June 30, 2019 are valued at NAV as a practical expedient and have not been included in the fair value hierarchy. The following is a summary of investment strategies, liquidity, redemption notice periods, and any restrictions on the liquidity provisions of those investments:

Event Driven - Investment funds within this strategy involve investing in opportunities created by significant transactional events such as spin-offs, mergers and acquisitions, bankruptcies, recapitalizations, and share buybacks. Generally, investment funds within this strategy have quarterly liquidity, subject to a 45 to 90-day notice period. Less than 1% of investment funds in this strategy are illiquid or side pocket investments with suspended redemptions. Approximately 3% of investment funds in this strategy are term vehicles with multi-year hard locks subject to periodic distributions. Approximately 58% of investment funds have gated redemptions, which are estimated to be lifted after 12 months. The remaining approximately 39% of the investment funds can be redeemed with no restrictions as of the measurement date.

Relative Value - Investment funds within this strategy seek to take advantage of specific pricing anomalies, while also seeking to maintain minimal exposure to systematic market risk. This may be achieved by purchasing one security previously believed to be undervalued, while selling short another security perceived to be overvalued. Investment funds generally have monthly to quarterly liquidity, subject to a 15 to 90-day notice period. Approximately 4% of the investment funds in this strategy are subject to hard lock up provisions to be lifted after 12 months. Approximately 56% of the investment funds have gated redemptions, which are estimated to be lifted after 12 months. The remaining approximately 40% of the investment funds in this strategy can be redeemed with no restrictions as of the measurement date.

NOTE 4 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with state agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as noncurrent restricted cash and cash equivalents on the accompanying financial statements. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2019, net appreciation of $1,396 was available to be spent, which was classified in net position as restricted expendable for specific programs.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2019, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 238,541	$ 170,340	$ 68,201
Student Sponsors	6,196	4,425	1,771
Intergovernmental	64,922		64,922
Other	200,868	170,018	30,850
Total Current Receivables	$ 510,527	$ 344,783	$ 165,744
Current Notes Receivable:			
Institutional Student Loan Programs	$ 300	$ 214	$ 86

NOTE 6 - 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	$ 1,590,270	$ 0	$ 0	$ 1,590,270
Construction in Progress	622,942	1,020,473	1,643,415	
Total Capital Assets, Nondepreciable	2,213,212	1,020,473	1,643,415	1,590,270
Capital Assets, Depreciable:				
Buildings	55,574,600	1,643,415		57,218,015
Machinery and Equipment	9,741,473	189,920	141,266	9,790,127
Art, Literature, and Artifacts	55,000	8,006		63,006
General Infrastructure	1,773,441			1,773,441
Total Capital Assets, Depreciable	67,144,514	1,841,341	141,266	68,844,589
Less Accumulated Depreciation for:				
Buildings	18,435,347	1,288,694		19,724,041
Machinery and Equipment	4,531,209	439,689	47,748	4,923,150
Art, Literature, and Artifacts	20,383	2,493		22,876
General Infrastructure	807,690	44,969		852,659
Total Accumulated Depreciation	23,794,629	1,775,845	47,748	25,522,726
Total Capital Assets, Depreciable, Net	43,349,885	65,496	93,518	43,321,863
Capital Assets, Net	$ 45,563,097	$ 1,085,969	$ 1,736,933	$ 44,912,133

The capital assets schedule above includes land and a building in the amount of $15,238,165 for which the College does not hold title. On December 1, 2016, the College executed a Special Warranty Deed conveying 3.33 acres to Henderson County for the purpose of constructing the Innovative High School. In order for Henderson County to obtain the financing needed to provide the resources for the Innovative High School, the College transferred title for the land to Henderson County for use as collateral until the debt is satisfied, at which time the College takes title to the Innovative High School and the title reverts back to the College.

NOTE 7 - 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	$	112,858
Accounts Payable - Capital Assets		35,600
Accrued Payroll		424,013
Contract Retainage		1,525
Other		5,524
Total Accounts Payable and Accrued Liabilities	$	579,520

NOTE 8 - LONG-TERM LIABILITIES

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
Compensated Absences	$ 705,366	$ 809,284	$ 783,720	$ 730,930	$ 204,076
Net Pension Liability	5,266,088	1,276,058		6,542,146	
Net Other Postemployment Benefits Liability	17,236,632		985,329	16,251,303	
Total Long-Term Liabilities	$ 23,208,086	$ 2,085,342	$ 1,769,049	$ 23,524,379	$ 204,076

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.

NOTE 9 - NET POSITION

The deficit in unrestricted net position of $25,381,934 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	$ 3,913,761	$ 0	$ 3,913,761
Deferred Outflows Related to OPEB		2,349,477	2,349,477
Noncurrent Liabilities:			
Long-Term Liabilities:			
Net Pension Liability	6,542,146		6,542,146
Net OPEB Liability		16,251,303	16,251,303
Deferred Inflows Related to Pensions	71,137		71,137
Deferred Inflows Related to OPEB		8,946,240	8,946,240
Net Effect on Unrestricted Net Position	$ (2,699,522)	$ (22,848,066)	$ (25,547,588)

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	$ 3,552,556	$ 1,323,885	$ 28,433	$ 2,200,238

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	$ 9,354,819	$ 828,143	$ 459,866	$ 12,426	$ 0	$ 0	$ 10,655,254
Research	22,398						22,398
Academic Support	1,413,329	46,494	38,771				1,498,594
Student Services	1,622,567	35,360	171,266	18,537			1,847,730
Institutional Support	2,976,078	156,356	872,824				4,005,258
Operations and Maintenance of Plant	922,442	461,378	1,305,986		587,433		3,277,239
Student Financial Aid				2,063,119			2,063,119
Auxiliary Enterprises	96,345	29,290					125,635
Depreciation						1,775,845	1,775,845
Total Operating Expenses	$ 16,407,978	$ 1,557,021	$ 2,848,713	$ 2,094,082	$ 587,433	$ 1,775,845	$ 25,271,072

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 $633,727, and the College's contributions were $1,298,083 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 $6,542,146 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 0.06571%, which was an decrease of 0.00066 from its proportion measured as of June 30, 2017, which was 0.06637%.

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 (Asset)		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$ 12,476,981	$ 6,542,146	$ 1,562,232

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 $1,632,472. 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	$ 477,450	$ 65,655
Changes of Assumptions	1,312,840	
Net Difference Between Projected and Actual Earnings on Plan Investments	623,468	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	201,920	5,482
Contributions Subsequent to the Measurement Date	1,298,083	
Total	$ 3,913,761	$ 71,137

The amount of $1,298,083 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

Year Ended June 30:	Amount
2020	$ 1,483,499
2021	955,099
2022	117,392
2023	(11,449)
Total	$ 2,544,541

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 $662,244 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 $14,787 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 $16,251,303 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 0.05705%, which was an increase of 0.00448 from its proportion measured as of June 30, 2017, which was 0.05257%.

Net OPEB Asset: At June 30, 2019, the College reported an asset of $17,333 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 0.05706%, which was a decrease of 0.00067 from its proportion measured as of June 30, 2017, which was 0.05773%.

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, 2017.

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	$ 19,202,505	$ 16,251,303	$ 13,887,773
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	$ (13,281)	$ (17,333)	$ (21,219)

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	$ 13,407,897	$ 16,251,303	$ 19,986,928
	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	$ (17,383)	$ (17,333)	$ (17,285)

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 $81,358 for RHBF and expense of $1,912 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	$ 30,235	$ 30,235
Changes of Assumptions		3,273	3,273
Net Difference Between Projected and Actual Earnings on Plan Investments	1,748	13,499	15,247
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,685,485	2,673	1,688,158
Contributions Subsequent to the Measurement Date	662,244	14,787	677,031
Total	$ 2,349,477	$ 64,467	$ 2,413,944

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 1,111,336	$ 0	$ 1,111,336
Changes of Assumptions	7,040,440		7,040,440
Net Difference Between Projected and Actual Earnings on Plan Investments			
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	794,464		794,464
Total	$ 8,946,240	$ 0	$ 8,946,240

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	$ (1,751,547)	$ 12,390
2021	(1,751,547)	12,387
2022	(1,751,547)	8,628
2023	(1,749,810)	6,719
2024	(254,556)	4,777
Thereafter		4,779
Total	$ (7,259,007)	$ 49,680

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. 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.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles 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. Employee dishonesty insurance for employees who are paid from non-state funds is purchased from a private insurance company with coverage of $75,000 per occurrence with a $500 deductible.

4. Statewide Workers' Compensation Program

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation

Act which are applicable to employees whose wages are paid in whole or in part from state funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the Board entirely from county or institutional funds.

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

5. Other Insurance Held by the College

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance for student accident, multimedia, internet security, cosmetology, nursing assistance, registered nursing, surgical technology, and emergency medical liability policies.

NOTE 15 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $548,518 and on other purchases were $58,081 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

Blue Ridge 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	0.06571%	0.06637%	0.06316%
Proportionate Share of TSERS Collective Net Pension Liability	$ 6,542,146	$ 5,266,088	$ 5,805,056
Covered Payroll	$ 10,370,638	$ 10,358,103	$ 9,833,125
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	63.08%	50.84%	59.04%
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	0.06144%	0.06392%	0.06170%
Proportionate Share of TSERS Collective Net Pension Liability	$ 2,264,186	$ 749,412	$ 3,745,819
Covered Payroll	$ 9,500,692	$ 9,560,738	$ 9,387,356
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	23.83%	7.84%	39.90%
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.

Blue Ridge 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	$ 1,298,083	$ 1,117,955	$ 1,033,739	$ 899,731	$ 869,313
Contributions in Relation to the Contractually Determined Contribution	1,298,083	1,117,955	1,033,739	899,731	869,313
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll	$ 10,562,109	$ 10,370,638	$ 10,358,103	$ 9,833,125	$ 9,500,692
Contributions as a Percentage of Covered Payroll	12.29%	10.78%	9.98%	9.15%	9.15%

	2014	**2013**	**2012**	**2011**	**2010**
Contractually Required Contribution	$ 830,828	$ 781,967	$ 676,561	$ 439,113	$ 302,662
Contributions in Relation to the Contractually Determined Contribution	830,828	781,967	676,561	439,113	302,662
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll	$ 9,560,738	$ 9,387,356	$ 9,093,558	$ 8,906,962	$ 8,477,922
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.

Blue Ridge 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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Teachers' and State Employees' Retirement System	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

Blue Ridge 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	0.05705%	0.05257%	0.05555%
Proportionate Share of Collective Net OPEB Liability	$ 16,251,303	$ 17,236,632	$ 24,166,138
Covered Payroll	$ 10,370,638	$ 10,358,103	$ 9,833,125
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	156.70%	166.41%	245.76%
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	0.05706%	0.05773%	0.05534%
Proportionate Share of Collective Net OPEB Asset	$ 17,333	$ 35,285	$ 34,366
Covered Payroll	$ 10,370,638	$ 10,358,103	$ 9,833,125
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.17%	0.34%	0.35%
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.

Blue Ridge 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	$ 662,244	$ 627,424	$ 601,806	$ 550,655	$ 521,588
Contributions in Relation to the Contractually Determined Contribution	662,244	627,424	601,806	550,655	521,588
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll	$ 10,562,109	$ 10,370,638	$ 10,358,103	$ 9,833,125	$ 9,500,692
Contributions as a Percentage of Covered Payroll	6.27%	6.05%	5.81%	5.60%	5.49%

	2014	**2013**	**2012**	**2011**	**2010**
Contractually Required Contribution	$ 516,280	$ 497,530	$ 454,678	$ 436,441	$ 381,506
Contributions in Relation to the Contractually Determined Contribution	516,280	497,530	454,678	436,441	381,506
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll	$ 9,560,738	$ 9,387,356	$ 9,093,558	$ 8,906,962	$ 8,477,922
Contributions as a Percentage of Covered Payroll	5.40%	5.30%	5.00%	4.90%	4.50%

Disability Income Plan of North Carolina	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually Required Contribution	$ 14,787	$ 14,519	$ 39,361	$ 40,316	$ 38,953
Contributions in Relation to the Contractually Determined Contribution	14,787	14,519	39,361	40,316	38,953
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll	$ 10,562,109	$ 10,370,638	$ 10,358,103	$ 9,833,125	$ 9,500,692
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	$ 42,067	$ 41,304	$ 47,287	$ 46,316	$ 44,085
Contributions in Relation to the Contractually Determined Contribution	42,067	41,304	47,287	46,316	44,085
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Covered Payroll	$ 9,560,738	$ 9,387,356	$ 9,093,558	$ 8,906,962	$ 8,477,922
Contributions as a Percentage of Covered Payroll	0.44%	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.

Blue Ridge 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

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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
Blue Ridge Community College
Flat Rock, 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 Blue Ridge 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 February 11, 2020. Our report includes a reference to other auditors who audited the financial statements of Blue Ridge Community College Educational Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Blue Ridge Community College Educational 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 Blue Ridge Community College Educational 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

February 11, 2020

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For additional information, contact the
North Carolina Office of the State Auditor at 919-807-7666.

NC OSA
The Taxpayers' Watchdog

This audit required 361 hours at an approximate cost of $37,544.