AB Tech Community College

FINANCIAL STATEMENT REPORT FOR THE YEAR ENDED JUNE 30, 2020

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ASHEVILLE–BUNCOMBE TECHNICAL COMMUNITY COLLEGE
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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Trustees
Asheville-Buncombe Technical Community College
Asheville, North Carolina

We have audited the accompanying financial statements of Asheville-Buncombe Technical Community College (the "College"), a component unit of the State of North Carolina, and the discretely presented component unit, Asheville-Buncombe Technical Community College Foundation (the "Foundation"), as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We 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 the Foundation 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and the discretely presented component unit of the College as of June 30, 2020, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

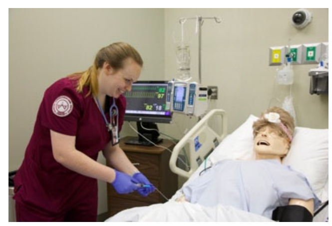
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2021 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.

Cherry Bekaert LLP

Charlotte, North Carolina
April 27, 2021

AB Tech Community College



MISSION

Dedicated to student success, A-B Tech delivers quality education to enhance academic, workforce, and personal development.

VALUES

A-B Tech is dedicated to student and community success through:

- **Excellence**
- **Integrity**
- **Supportive Learning Environment**
- **Innovation**
- **Service and Engagement**

MANAGEMENT DISCUSSION AND ANALYSIS

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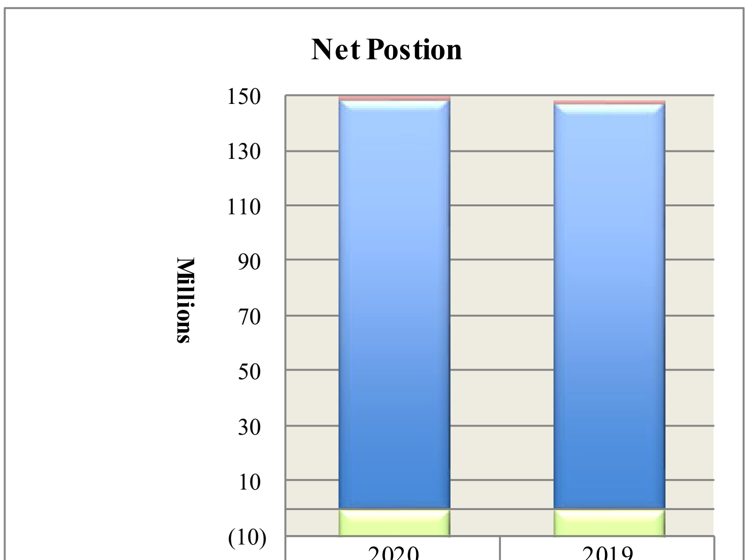
Management Discussion and Analysis

Our discussion and analysis of Asheville-Buncombe Technical Community College's financial performance provides an overview of the College's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the financial statements and the notes thereto, which follow this section.

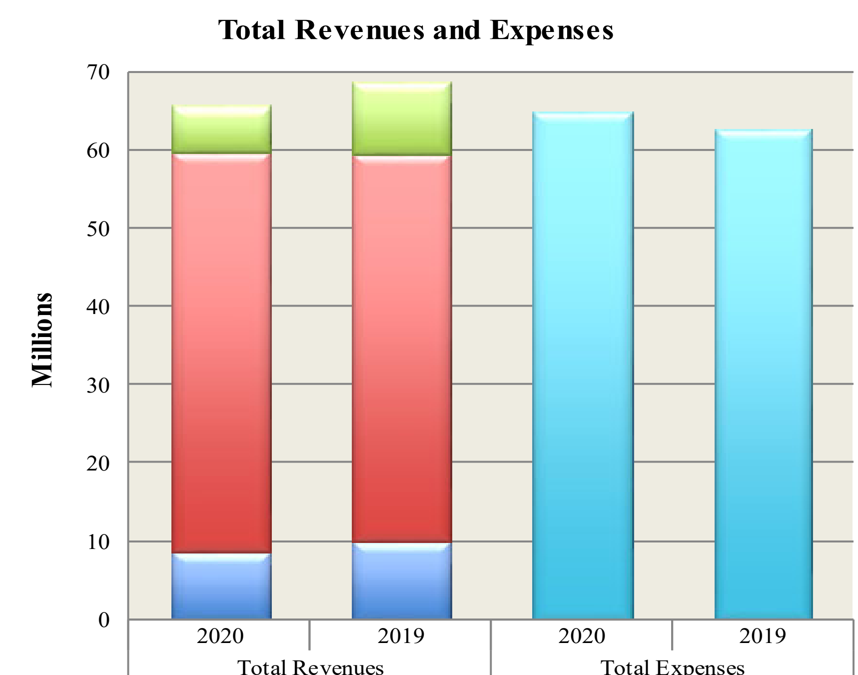
FINANCIAL HIGHLIGHTS

The College's net position, which consists of net investment in capital assets, restricted net position, and unrestricted net position, increased slightly by 0.96% from $87,853,657 at June 30, 2019, to $88,694,803 at June 30, 2020. The significant deficit in unrestricted net position of ($61,021,585) is due to the recognition of deferred outflows of resources and deferred inflows of resources for the College's proportional share of expenses and liabilities associated with the net pension liability and net other postemployment benefits ("OPEB") liability. The following chart shows the comparison by category for the fiscal years ended June 30, 2020 and June 30, 2019.



	2020	2019
Unrestricted Assets	$(61,021,585)	$(60,367,001)
Restricted Assets	469,031	607,182
Net Investment in Capital Assets	149,247,357	147,613,476
Net Position	$88,694,803	$87,853,657

The College's total revenues decreased by $2,995,073 to $65,764,368 at June 30, 2020 from $ 68,759,441 at June 30, 2019, due to the completion of the Connect NC bonds in the previous year and a reduction of current year tuition and sales and services revenues. Expenses totaling $64,923,222 represent a 3.48% increase compared to the previous fiscal year. This change is attributed to the student allocation portion of the Coronavirus Aid, Relief, and Economic Security ("CARES Act"), which was signed into law on March 27, 2020. These funds provided emergency financial aid grants to students for expenses related to the disruption of campus operations due to COVID-19.



	2020	2019	2020	2019
	Total Revenues		Total Expenses	
Total Expenses			$64,923,222	$62,742,882
Capital Revenues	6,172,957	9,350,710		
Nonoperating Revenues	50,917,046	49,291,989		
Operating Revenues	8,674,365	10,116,742		
Total Revenues	$65,764,368	$68,759,441		

USING THE FINANCIAL STATEMENTS

The College's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statements 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 – Management's Discussion and Analysis – for Public College and Universities,* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* Accordingly, the College's financial statements are comprised of the following four components:

> Statement of Net Position: This statement includes all assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position. The College's net position is an indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the age and condition of its buildings. (Exhibit A-1)
>
> Statement of Revenues, Expenses, and Changes in Net Position: This statement presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. This approach is intended to summarize and simplify the presentation of the College's services to the students and public. (Exhibit A-2)
>
> Statement of Cash Flows: This statement presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing and investing activities, and helps measure the ability of the College to meet financial obligations as they mature. (Exhibit A-3)
>
> Notes to the Financial Statements: The notes provide additional information that is essential for a complete understanding of the data provided in the statements.

The statements are prepared under the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The full scope of the College is considered to be a business-type activity and is reported in a single column on the statements.

Overview of Financial Statements

Statement of Net Position

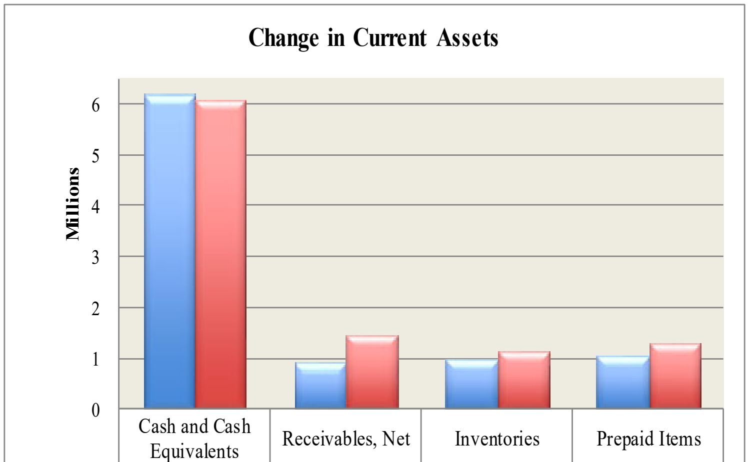
Below is a condensed comparative analysis between the Statement of Net Position (Exhibit A-1) contained herein and for the fiscal years ended June 30, 2020 and 2019, followed by a discussion on the changes in assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position.

Condensed Statements of Net Position
For the Year Ended June 30, 2020
With Comparative Data for the Year Ended June 30, 2019

	2020	2019	Change Amount	Change Percent
Assets				
Current	$ 9,163,922	$ 10,030,193	$ (866,271)	(8.64%)
Capital Assets, Net	149,357,865	147,629,926	1,727,939	1.17%
Other Noncurrent Assets	383,935	354,539	29,396	8.29%
Total Assets	158,905,722	158,014,658	891,064	0.56%
Deferred Outflows of Resources	12,784,579	13,916,984	(1,132,405)	(8.14%)
Liabilities				
Current	2,626,005	3,123,633	(497,628)	(15.93%)
Noncurrent	62,139,732	58,442,431	3,697,301	6.33%
Total Liabilities	64,765,737	61,566,064	3,199,673	5.20%
Deferred Inflows of Resources	18,229,761	22,511,921	(4,282,160)	(19.02%)
Net Position				
Net Invested in Capital Assets	149,247,357	147,613,476	1,633,881	1.11%
Restricted	469,031	607,182	(138,151)	(22.75%)
Unrestricted	(61,021,585)	(60,367,001)	(654,584)	1.08%
TOTAL NET POSITION	**$ 88,694,803**	**$ 87,853,657**	**$ 841,146**	**0.96%**

Assets and Deferred Outflows of Resources

Current assets decreased by $866,271 or 8.64% due to the combination of following changes:



	Cash and Cash Equivalents	Receivables, Net	Inventories	Prepaid Items
2020	6,199,118	921,833	992,143	1,050,828
2019	6,088,050	1,478,098	1,147,632	1,316,413
Change	111,068	(556,265)	(155,489)	(265,585)

- Cash and cash equivalents increased by $111,068 from the previous year. The major increase is associated with cash held in Auxiliary Enterprises related to the Bookstore.

- Net receivables decreased by $556,265 principally due to the satisfaction of student accounts receivable and Connect NC Bond receivables associated with repurposing the Poplar Building and the Sycamore Greenhouse renovation.

- Inventory decreased by $155,489 year over year primarily associated with the Bookstore inventory and management's initiative to reduce excess supplies on hand.

- Prepaid items decreased by $265,585 compared to the previous year. This reduction is associated with the state spending restrictions and the ability to pay for memberships, maintenance agreements and software license renewals in which the covered period is in FY 2021.

Net capital assets increased 1.17% or $1,727,939 year over year. During the fiscal year, the College completed the Connect NC Bond projects associated with the Advanced Manufacturing Center and the Sycamore Greenhouse renovations. Ongoing Connect NC Bond projects include the Ivy Building renovation, repurposing of the Poplar Building and upgrades to the Elm and Madison restrooms. Aged and fully depreciated equipment were disposed. The composition of capital assets and changes thereof are detailed in Note 5.

Other noncurrent assets reflect an increase of $29,396. This change is attributable to the restricted funds held for student organizations, scholarships and tenant and labs deposits at A-B Tech Enka Business Incubation and Small Business Center.

Deferred outflows of resources are related to the reporting of net pension liability and net OPEB liability, which represent the College's contribution subsequent to the measurement date that will be recognized as a reduction of the net pension and OPEB liabilities in the fiscal year ending June 30, 2021. As a result, the College recorded $6,680,471 in deferred outflows of resources related to pensions and $6,104,108 in deferred outflows of resources related to OPEB based on the calculation by the Office of State Controller. Please see the Schedule of Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions in Note 12 and the Schedule of Employer Balances of Deferred Outflows of Resources Related to OPEB in Note 13 for details.

Liabilities and Deferred Inflows of Resources

Current liabilities decreased $497,628 from the previous year primarily related to the decrease in accrued payroll and the reduction in contracts and retainage payable associated with the Connect NC Bond Projects.

Noncurrent liabilities increased $3,697,301 year over year largely attributed to compensated absences and changes in the net pension and OPEB liabilities. Refer to Note 7 for a summary of changes in the long-term liabilities for the fiscal year ended June 30, 2020.

Deferred inflows of resources decreased $4,242,942 associated with the net OPEB liability. The College recognized deferred inflows of resources totaling $18,004,836 that will be amortized over the next five fiscal years. Please refer to Note 13 for details.

Net Position

Net position is the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Overall net position increased slightly by $841,146.

- Net investment in capital assets represents the College's total capital assets less accumulative depreciation and related debt. Net investment in capital assets increased overall by $1,633,881 due to construction in progress associated with the Connect NC Bonds and Quarter Cent Sales Tax projects, current year equipment additions and changes in the capital lease obligation for printers.

- Restricted net position decreased by $138,151 attributed primarily to the satisfaction of grant-funded initiatives associated with the National Science Foundation Skilled Students Get Jobs grant, and the Workforce Innovation and Opportunity Act grants for UpSkill WNC Innovation and Empower WNC.

- Unrestricted net position has decreased 1.08% by $654,584 due to the impact of COVID-19 and the reduction of resources derived from student tuition and fees, sales and services and other operating income.

Statement of Revenues and Expenses and Change in Net Position

Below is a condensed comparative analysis of the June 30, 2020 Statement of Revenues, Expenses, and Changes in Net Position (Exhibit A-2) contained herein and the year ended June 30, 2019, followed by discussion on changes in revenues and expenses.

Statements of Revenues and Expenses and Changes in Net Positon
For the Year Ended June 30, 2020 with Comparative Data for the Year Ended June 30, 2019

	2020	2019	Change Amount	Change Percent
Operating Revenues				
Student Tuition & Fees	$ 6,898,002	$ 7,719,021	$ (821,019)	(10.64%)
Sales and Services	1,760,040	2,379,295	(619,255)	(26.03%)
Other Revenues	16,323	18,426	(2,103)	100.00%
Total Operating Revenues	8,674,365	10,116,742	(1,442,377)	(14.26%)
Operating Expenses				
Salaries and Benefits	40,817,777	40,222,571	595,206	1.48%
Supplies & Materials	5,454,712	5,851,975	(397,263)	(6.79%)
Services	6,410,227	6,373,525	36,702	0.58%
Scholarships	6,958,712	4,908,909	2,049,803	41.76%
Utilities	1,384,727	1,688,136	(303,409)	(17.97%)
Depreciation Amortization	3,897,067	3,697,766	199,301	5.39%
Total Operating Expenses	64,923,222	62,742,882	2,180,340	3.48%
Nonoperating Revenues/(Expenses)				
Gevernment Appropriations	37,489,209	37,744,907	(255,698)	(0.68%)
Grants & Gifts	13,436,838	11,382,449	2,054,389	18.05%
Investment Income	119,512	115,362	4,150	3.60%
Other Nonoperating Expenses	(128,513)	49,271	(177,784)	(360.83%)
Total Nonoperating Revenues, Net	50,917,046	49,291,989	1,625,057	3.30%
Capital Contributions				
Gevernment Appropriations	1,295,702	3,706,170	(2,410,468)	(65.04%)
Grants & Gifts	4,877,255	5,644,540	(767,285)	(13.59%)
Total Capital Contributions	6,172,957	9,350,710	(3,177,753)	(33.98%)
CHANGE IN NET POSITION	**$ 841,146**	**$ 6,016,559**	**$ (5,175,413)**	**(86.02%)**

Operating Revenues

Operating revenues are derived from activities that are necessary and essential to the mission of the College.

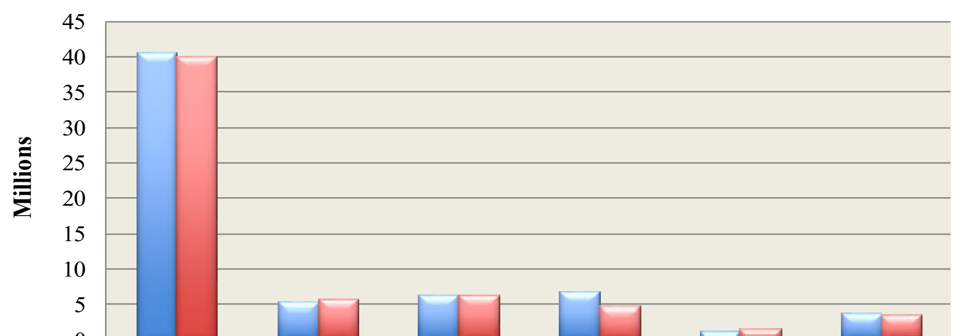
The Colleges overall operating revenues decreased by $1,442,377 year over year, due to the impact of the COVID-19 pandemic and the discontinuation of in-person instruction. As a result, tuition receipts were down for the spring and summer semesters.

Operating Expenses

Operating expenses are necessary and essential to the mission of the College; these include all expenses with the exception of expenses related to investing, capital and related financing and noncapital activities. Depreciation is recognized as an operating expense in accordance with General Accepted Accounting Principles.

Operating expenses for FY20 increased by $2,180,340 overall to $64,923,222. The increase is associated with expenditures for Salaries and Benefits, Scholarships, and Depreciation Amortization. In March 2020, Governor Roy Cooper declared a State of Emergency regarding the impact of the Coronavirus. In response, the College immediately began teleworking, designated critical positions and closed campus but remained operational on-line. In April, NCCCS allowed face-to-face instruction, and select courses were allowed to resume classes.

Change in Expenses



	Salaries and Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation
2020	40,817,777	5,454,712	6,410,227	6,958,712	1,384,727	3,897,067
2019	40,222,571	5,851,975	6,373,525	4,908,909	1,688,136	3,697,766
Change in Amount	595,206	(397,263)	36,702	2,049,803	(303,409)	199,301
Change in Percentage	1.48%	-6.79%	0.58%	41.76%	-17.97%	5.39%

Nonoperating Revenues

Nonoperating revenues include activities that have non-exchange characteristics; that is, the College received revenue without providing a good or service.

Total net nonoperating revenue increased by $1,625,057. Impacts on nonoperating revenue can be attributed to the CARES Act. The most significant portion of that funding allocation provided that $12.56 billion will be distributed nationally to institutions using a formula based on student enrollment. Of the amount allocated to each institution under this formula, at least 50 percent must be reserved to provide students with emergency financial aid grants to help cover expenses related to the disruption of campus operations due to coronavirus. A-B Tech received an allocation of $3.6 million, of which $1.8 million was to be awarded directly to students as emergency financial aid, which supports the increase in scholarship expense in 2020.

Capital Contributions

Capital contributions consist of state, and county appropriations as well as grants and gifts for equipment, construction, building improvements, and infrastructure.

Capital revenue decreased overall by $3,177,753. County and State appropriations for capital contributions decreased by $2,410,468 year over year. The College recorded gifts of capital assets totaling $4,877,255. Article 46 Sales Tax Projects recognized as capital gifts from Buncombe County were associated with the completion of the roof replacements for the Bailey, Coman, Ferguson, Hemlock, Roberson, and Simpson buildings. Additionally, HVAC systems were replaced in the Maple and Roberson buildings.

Supplemental Public Finance Narrative

The College is accredited by the Southern Association of Colleges and Schools Commission on Colleges (“SACSCOC”), the regional body for the accreditation of degree-granting higher education institutions in the Southern states. On behalf of the SACSCOC, peer evaluators periodically review the College’s financial statement to assess its financial viability. The evaluators find it helpful if the College reports its Unrestricted Net Position in a way that adjusts for the impact of factors beyond its immediate control on an accrual basis.

Specifically, in 2020, the College’s total Net Position, an indication of overall worth, rose from $87.9 million FY 2019 to $88.7 million FY 2020. The Unrestricted Net Position increased from ($60.4) million to ($61) million. SACSCOC finance evaluators are currently adjusting Unrestricted Net Position for the following items, generally being treated as "pay-as-you-go" rather than on a full accrual basis. These obligations may result in a deficit Unrestricted Net Position and make determination of operational resources difficult. When adjusted for Compensated Absences (CA), OPEB and Pension obligations, the College’s Unrestricted Net Position exclusive of Plant and Plant-related debt, UNPEP, appears positive at approximately $155.4 million FY 2019 and $156.8 million FY 2020. Likewise, when adjusted accordingly, Unrestricted Net Position also appears positive at $7.2 million FY 2019 and $7.1 million FY 2020.

The adjusted Current Ratio of the institution increased from 3.88 FY 2018 to 4.37 FY 2020. The institution appears to possess an adequate, stable resource base to support its mission and programs.

Operational Outcomes (operating and nonoperating) less non-recurring, noncash expenses declined in FY 2020 (with the exception of depreciation), from producing a surplus of $2.8 million FY 2019 to a deficit of ($612) thousand FY 2020.

Cash flows related to operations (operational and non-capital) improved slightly from ($571) thousand FY 2019 to ($561) thousand FY 2020.

Tuition revenues, net declined slightly from $7.8 million and $6.9 million for FY 2019 and FY 2020, respectively.

Enrollment experienced a slight decline from 6,764 Budget FTE fall 2019 to 6,595 Budget FTE fall 2020.

The institution appears to be operating within available revenues and cash flows, likely with proper fiscal controls.

Public Finance Schedule

For the Year Ended June 30, 2020 with Comparative Data for the Years Ended June 30, 2018 and June 30, 2019

	2018	2019	2020
Net Investment in Capital Assets	$ 142,631,515	$ 147,613,476	$ 149,247,357
Restricted, Expendable	813,913	604,932	466,781
Restricted, Not expendable	2,250	2,250	2,250
Unrestricted	(61,610,580)	(60,367,001)	(61,021,585)
TOTAL NET POSITION, from Statement of Net Position	**$ 81,837,098**	**$ 87,853,657**	**$ 88,694,803**
Add back Compensated Absences-current	$ 390,533	$ 537,730	$ 527,882
Add back Compensated Absences-noncurrent	2,662,891	3,203,454	3,300,122
Add back OPEB liability - noncurrent portion	42,571,274	39,235,560	42,514,664
Less Deferred Outflows of Resources - OPEB	(1,552,585)	(4,655,970)	(5,996,698)
Add Deferred Inflows of Resources - OPEB	18,000,660	22,247,623	17,998,655
Add back Liability-Pension GASB 68	12,623,696	16,003,417	16,246,058
Less Deferred Outflows of Resources - Pension	(7,024,483)	(9,261,014)	(6,680,471)
Add Deferred Inflows of Resources - Pension	586,009	264,143	224,925
TOTAL NET POSITION, adjusted for CA, OPEB & Pensions	**$ 150,095,093**	**$ 155,428,600**	**$ 156,829,940**
UNRESTRICTED NET POSITION	$ (61,610,580)	$ (60,367,001)	$ (61,021,585)
Add back Compensated Absences-current	390,533	537,730	527,882
Add back Compensated Absences-noncurrent	2,662,891	3,203,454	3,300,122
Add back OPEB liability - noncurrent portion	42,571,274	39,235,560	42,514,664
Less Deferred Outflows of Resources - OPEB	(1,552,585)	(4,655,970)	(5,996,698)
Add Deferred Inflows of Resources - OPEB	18,000,660	22,247,623	17,998,655
Add back Liability-Pension GASB 68	12,623,696	16,003,417	16,246,058
Less Deferred Outflows of Resources - Pension	(7,024,483)	(9,261,014)	(6,680,471)
Add Deferred Inflows of Resources - Pension	586,009	264,143	224,925
UNRESTRICTED NET POSITION, adjusted for CA, OPEB & Pensions	**$ 6,647,415**	**$ 7,207,942**	**$ 7,113,552**
Net effect of compensated absences (current & noncurrent)	$ 3,053,424	$ 3,741,184	$ 3,828,004
Change in net effect of compensated absences		*687,760*	*86,820*
Net effect of OPEB entries	$ 59,019,349	$ 56,827,213	$ 54,516,621
Change in net effect of OPEB entries		*(2,192,136)*	*(2,310,592)*
Net effect of Pension entries	$ 6,185,222	$ 7,006,546	$ 9,790,512
Change in net effect of Pension entries		*821,324*	*2,783,966*
CURRENT RATIO			
Current Assets	$ 8,494,334	$ 10,030,193	$ 9,163,922
Current Liabilities	2,375,213	3,123,633	2,626,005
Less Current Compensated Absence liability	390,533	537,730	527,882
CURRENT RATIO, adjusted	**4.28**	**3.88**	**4.37**

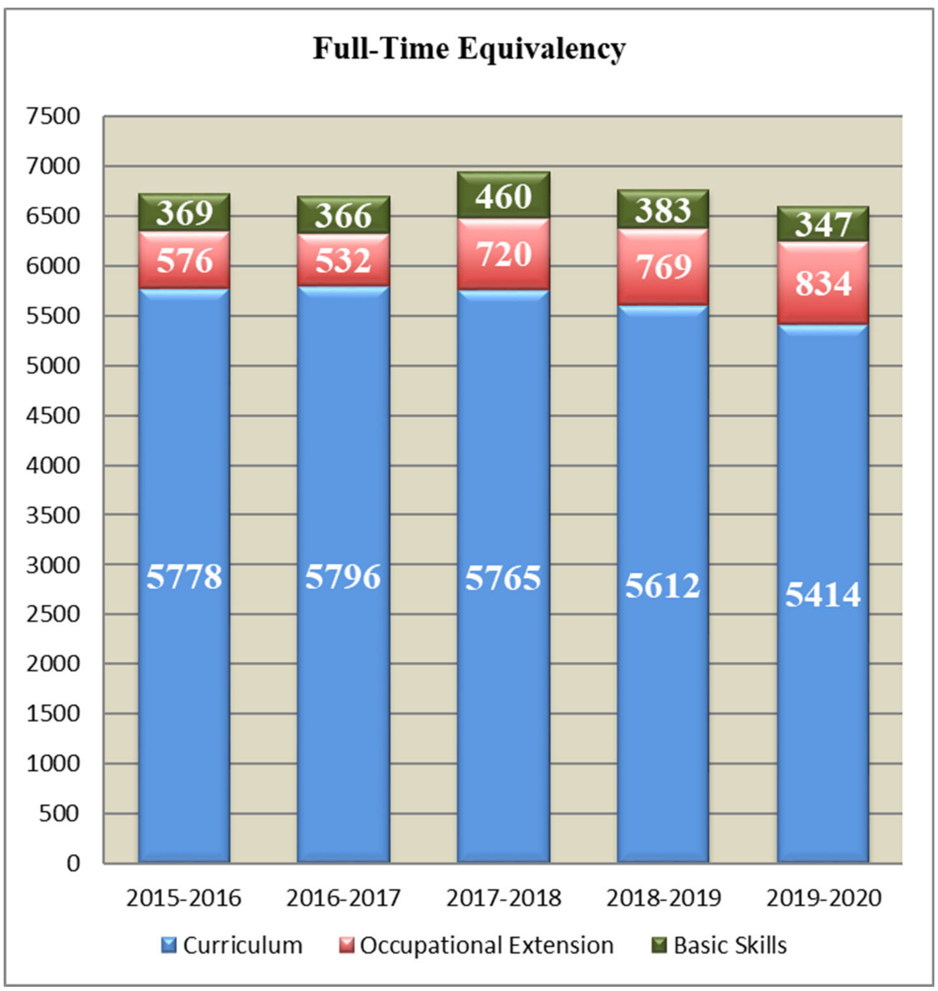
(Current Assets/(Current Liablities less current CA & current OPEB)

	2018	2019	2020
OPERATIONAL OUTCOMES			
Total Operating Revenues	$ 9,629,651	$ 10,116,742	$ 8,674,365
Add Total Nonoperating Revenues	49,116,975	49,291,989	50,917,046
Less Operating Expenses	(63,638,982)	(62,742,882)	(64,923,222)
INCOME BEFORE OTHER REVENUES/EXP, GAINS/LOSS	**$ (4,892,356)**	**$ (3,334,151)**	**$ (5,331,811)**
Did change in Compensated Absences affect expense? Add back?	$ 3,053,425	$ 3,741,185	$ 2,781,511
Did change in OPEB affect expense? Add back?	5,588	(2,149,658)	(2,428,218)
Did change in Pensions affect expense? Add Back?	908,685	818,885	469,756
Depreciation Expense?	3,760,980	3,697,766	3,897,067
Operational Outcomes less non-recurring, noncash expenses	**$ 2,836,322**	**$ 2,774,027**	**$ (611,695)**
Cash flows from operations	$ (48,159,982)	$ (49,936,234)	$ (51,603,867)
Noncapital cash flows	48,780,926	49,365,603	51,042,700
Cash flows related to operations	**$ 620,944**	**$ (570,631)**	**$ (561,167)**
Cash and Equivalents	$ 6,135,607	$ 6,199,844	$ 6,524,067
Accounts Payable	$ 1,225,745	$ 1,895,347	$ 1,334,728
State Capital Appropriations	$ 1,997,059	$ 3,722,605	$ 2,894,531
Capital Grants	219,156	(382,893)	1,158,735
Acquisition and Construction of Capital Assets	(2,188,476)	(2,770,337)	(3,242,551)
Construction in Progress	$ 5,998,027	$ 10,546,446	$ 14,010,797
Tuition, gross	$ 11,232,539	$ 11,197,456	$ 10,227,420
Less Scholarship Allowances	(3,896,850)	(3,387,026)	(3,501,751)
Tuition, net	**$ 7,335,689**	**$ 7,810,430**	**$ 6,725,669**
Budget FTE	6,945	6,764	6,595

THE COLLEGE'S FINANCIAL OUTLOOK

The ability of the College to fulfill its mission and execute its strategic plan is directly influenced by state, federal, and county support. Enrollment levels and financial aid available to students are also key variables. These issues impact budget planning processes each year.

State support is the College's primary funding source. To ensure the fiscal stability of community colleges, State support is based on the higher of total budgetary full-time equivalency ("FTE") enrollment of the year preceding the budget year or the average of the two preceding years FTE. The chart below illustrates the College's budget FTE for the past five years.



As the graph shows, the decline in budget FTE has slowed since the conclusion of the economic hardships of FY 2008-09. This has enabled the College to stabilize its operations and focus on investing in new programs. To maintain its fiscal stability without capping enrollment, the College is continuing to expand its offering of night, weekend, and "mini semester" classes and restructure facilities usage. The College reviews existing programs for continuing viability and reviews new program proposals on a regular basis.

Appropriations from Buncombe and Madison Counties are primarily for plant operations, maintenance and capital asset repairs and renovations. For the budget year 2019-20, Buncombe County's appropriation increased by $575,600 and Madison County's appropriation remained the same level as previous years.

The College is also seeking alternative revenue sources and other options that allow the College to generate non-state, non-county revenues. Examples of options implemented include expanding the rental of facilities to third parties and the utilization of student fees that assist in covering the expenses related to the provision of student activities, instructional technology, and college access, parking, and security services.

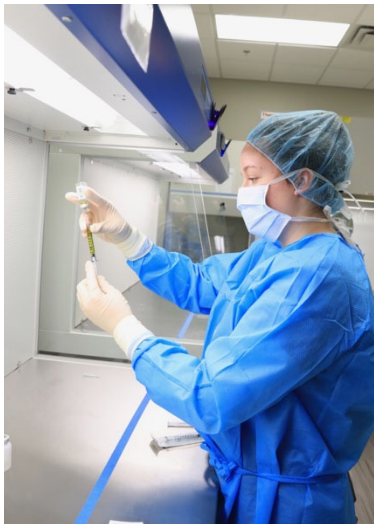
The Management of Asheville-Buncombe Technical Community College is confident in its financial stability and ability to engage citizens of Buncombe and Madison counties and beyond in higher education. The College is dedicated in its efforts toward program assessment; cost containment; continuous improvement; expansion of curriculum, occupational training, and continuing education; and increased distance learning opportunities. These efforts are geared toward assessing the College's performance related to goals and freeing up resources to support change. The College's ongoing strategic planning initiative and efforts to identify resource reallocation opportunities have expanded to new activities that enhance revenues and control expenses over the short and long term. As a result, Asheville-Buncombe Technical Community College remains financially sound.

REQUEST FOR INFORMATION

This report is designed to provide a summary overview of the College's finance. Questions or requests for additional information should be addressed to:

Asheville-Buncombe Technical Community College
340 Victoria Road
Asheville, North Carolina 28801
(828) 398-7111

AB Tech Community College



VISION

- Changing Lives
- Strengthening Communities

FINANCIAL STATEMENTS

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Asheville-Buncombe Technical Community College
Statement of Net Position
June 30, 2020

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 5,281,435
Restricted Cash and Cash Equivalents	917,683
Receivables, Net (Note 4)	921,833
Inventories	992,143
Prepaid Items	1,050,828
Total Current Assets	9,163,922
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	324,949
Net Other Postemployment Benefits Asset	58,986
Capital Assets - Nondepreciable (Note 5)	19,959,984
Capital Assets - Depreciable, Net (Note 5)	129,397,881
Total Noncurrent Assets	149,741,800
Total Assets	158,905,722
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions (Note 12)	6,680,471
Deferred Outflows Related to Other Postemployment Benefits (Note 13)	6,104,108
Total Deferred Outflows of Resources	12,784,579
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	1,334,728
Unearned Revenue	656,810
Funds Held for Others	74,965
Long-Term Liabilities - Current Portion (Note 7)	559,502
Total Current Liabilities	2,626,005
Noncurrent Liabilities:	
Long-Term Liabilities (Note 7)	62,139,732
Total Noncurrent Liabilities	62,139,732
Total Liabilities	64,765,737
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions (Note 12)	224,925
Deferred Inflows Related to Other Postemployment Benefits (Note 13)	18,004,836
Total Deferred Inflows of Resources	18,229,761

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

NET POSITION

Net Investment in Capital Assets	$	149,247,357
Restricted:		
Nonexpendable		
Student Financial Aid		2,250
Expendable		
Student Financial Aid		1,315
Capital Projects		111,186
Other		354,280
Unrestricted		(61,021,585)
Total Net Position	$	88,694,803

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

Asheville-Buncombe Technical Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020 — *Exhibit A-2*

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 10)	$ 6,898,002
Sales and Services, Net (Note 10)	1,760,040
Other Operating Revenues	16,323
Total Operating Revenues	8,674,365
OPERATING EXPENSES	
Salaries and Benefits	40,817,777
Supplies and Services	11,864,939
Scholarships and Fellowships	6,958,712
Utilities	1,384,727
Depreciation/Amortization	3,897,067
Total Operating Expenses	64,923,222
Operating Loss	(56,248,857)
NONOPERATING REVENUES (EXPENSES)	
State Aid	30,301,109
County Appropriations	7,188,100
Student Financial Aid	8,234,231
Federal Aid - COVID-19	1,950,316
Noncapital Contributions, Net (Note 10)	3,252,291
Investment Income (Net of Investment Expense of $0)	119,512
Interest and Fees on Debt	(5,468)
Other Nonoperating Revenues (Expenses)	(123,045)
Net Nonoperating Revenues	50,917,046
Loss Before Other Revenues	(5,331,811)
State Capital Aid	2,894,531
Capital Contributions (Note 10)	3,278,426
Total Other Revenues	6,172,957
Increase in Net Position	841,146
NET POSITION	
Net Position - July 1, 2019	87,853,657
Net Position - June 30, 2020	$ 88,694,803

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

Asheville-Buncombe Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 8,610,569
Payments to Employees and Fringe Benefits	(40,484,518)
Payments to Vendors and Suppliers	(12,807,577)
Payments for Scholarships and Fellowships	(6,958,712)
Other Receipts (Payments)	36,371
Net Cash Used by Operating Activities	(51,603,867)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid	30,301,109
County Appropriations	7,188,100
Student Financial Aid	8,234,231
Federal Aid - COVID-19	1,950,316
Noncapital Contributions	3,169,271
Additions to Endowments	199,673
Net Cash Provided by Noncapital Financing Activities	51,042,700
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
State Capital Aid	2,894,531
Capital Contributions	1,158,735
Acquisition and Construction of Capital Assets	(3,242,551)
Principal Paid on Capital Debt and Leases	(39,369)
Interest and Fees Paid on Capital Debt and Leases	(5,468)
Net Cash Provided by Capital Financing and Related Financing Activities	765,878
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	119,512
Net Cash Provided by Investing Activities	119,512
Net Increase in Cash and Cash Equivalents	324,223
Cash and Cash Equivalents - July 1, 2019	6,199,844
Cash and Cash Equivalents - June 30, 2020	$ 6,524,067

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

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(56,248,857)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation/Amortization Expense		3,897,067
Other Nonoperating Income (Expenses)		(18,704)
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		(66,390)
Inventories		155,489
Notes Receivable, Net		265,585
Net Other Postemployment Benefits Asset		(16,241)
Deferred Outflows Related to Pensions		2,580,543
Deferred Outflows for OPEB		(1,448,138)
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		(88,295)
Unearned Revenue		2,594
Funds Held for Others		55,075
Net Pension Liability		242,641
Net Other Postemployment Benefits Liability		3,279,104
Compensated Absences		86,820
Deferred Inflows Related to Pensions		(39,218)
Deferred Inflows Related to Other Postemployment Benefits		(4,242,942)
Net Cash Used by Operating Activities	$	(51,603,867)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$	389,683
Assets Acquired through a Gift		2,742,673
Loss on Disposal of Capital Assets		(104,341)

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

Asheville-Buncombe Technical Community College Foundation, Inc.
Statement of Financial Position
June 30, 2020 — *Exhibit B-1*

		2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	511,055
Restricted Cash and Cash Equivalents		1,901,315
Contributions Receivable		30,840
Other Current Assets		23,066
Total Current Assets		2,466,276
Noncurrent Assets:		
Foundation Endowment Investements - Restricted		7,898,283
Long-Term Contributions Receivable (Net)		1,753,450
Charitable Remainder Trusts Receivable (Net)		1,743,253
Property and Equipment, Net		8,548
Total Noncurrent Assets		11,403,534
Total Assets	$	13,869,810
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	245,991
Total Liabilities		245,991
NET ASSETS		
Without Donor Restrictions		705,498
With Donor Restrictions		12,918,321
Total Net Assets		13,623,819
Total Liabilities and Net Assets	$	13,869,810

Asheville-Buncombe Technical Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2020 — Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support and Revenue			
Contributions	$ 150,496	$ 427,854	$ 578,350
Grant Revenue	-	277,967	277,967
Investment Return, Net	44,013	26,843	70,856
Change in Value Charitable Reminder Trust	-	18,219	18,219
Special Events Revenue	49,305	-	49,305
In-Kind Contributions	353,568	-	353,568
Transfer of Funds to Endowment	(39,076)	39,076	-
Net assets released from restrictions	1,496,463	(1,496,463)	-
Total Support and Revenue	2,054,769	(706,504)	1,348,265
EXPENSES AND LOSSES			
Expenses:			
Program	1,655,561	-	1,655,561
Management and General	213,942	-	213,942
Fundraising	109,478	-	109,478
Total Expenses	1,978,981	-	1,978,981
Change in Net Assets	75,788	(706,504)	(630,716)
NET ASSETS			
Net Assets at Beginning of Year	629,710	13,624,825	14,254,535
Net Assets at End of Year	$ 705,498	$ 12,918,321	$ 13,623,819

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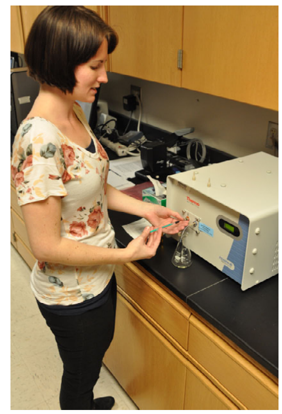
AB Tech
Community College

MISSION

Dedicated to student success, A-B Tech delivers quality education to enhance academic, workforce, and personal development.



NOTES TO FINANCIAL STATEMENTS

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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 ("U.S. 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. Asheville-Buncombe Technical Community College (the "College") is a component unit of the State of North Carolina State and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and its component units for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. The discretely presented component unit's financial data is reported in separate financial statements because of its use of different U.S. GAAP reporting models and to emphasize its legal separateness.

Discretely Presented Component Unit - Asheville-Buncombe Technical Community College Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt not-for-profit 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 30 selected members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which 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 not-for-profit organization that reports its financial results under Financial Accounting Standards Board ("FASB") Statements. 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, 2020, the Foundation distributed $884,180 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Business Services Offices at (828) 398-7111.

B. Basis of Presentation - The accompanying financial statements are presented in accordance with U.S. GAAP as prescribed by the GASB.

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

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

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

D. Cash and Cash Equivalents - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund ("STIF"). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. 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. **Foundation Endowment -** Investments generally are reported at fair value, as determined by quoted market prices or estimate amounts determined by management if quoted market prices are not available. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

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

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued using the average cost method.

H. **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 over the estimated useful lives of the assets in the following manner:

Asset Class	Estimated Useful Life
Buildings and Improvements	10-100 years
Machinery & Equipment	5-56 years
General Infrastructure	10-75 years
Computer Software	2-30 years

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

J. **Unearned Revenue** - Unearned revenue includes the portion of student tuition and fees for summer programs which have been received as of June 30 of the year, but not earned; scholarship and grant income that has been received but not expended; and unearned revenue for certain ongoing projects.

K. **Funds Held for Others -** Funds held for others consist primarily of Agency Scholarships and Direct Loans that have not yet been disbursed to the respective students.

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

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2019 *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 2019 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.

M. **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 December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

N. **Deferred Outflows/Inflows of Resources -** 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. 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.

O. **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 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.

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

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

Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

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

R. **Internal Sales Activities -** Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as Bookstore, Early Education Center, and Motor Pool. 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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. **College -** The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings association 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 $6,000, and deposits in private financial institutions with a carrying value of ($140,837) and a bank balance of $1,085,370.

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, 2020, the College's bank balance in excess of federal depository insurance coverage was covered under 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, 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, 2020, the amount shown on the Statement of Net Position as cash and cash equivalents includes $6,658,904, which represents the College's equity position in the State Treasurer's 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, 2020. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the 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.

B. 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. The Foundation has established an account with the Community Foundation of Western North Carolina, Inc. (CFWNC), for its endowment funds. It allows the distribution of an annual spendable amount from investment income as provided for in the CFWNC's investment and distribution policies. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. Following is a summary of CFWNC activity:

	Amount
Asset value as of June 30, 2019:	$ 7,321,520
Current year activity:	
Cash transfers and withdrawals, net	558,238
Investment income and interest	98,525
Investment (loss) gain	(31,175)
Investment fees	(9,727)
Community Foundation fees	(39,098)
Asset value as of June 30, 2020:	$ 7,898,283

The Foundation places its cash and cash equivalents on deposit with the State Treasurer.

C. Reconciliation of Deposits and Investments – A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2020 is as follows:

	Amount
Cash on Hand	$ 6,000
Carrying Amount of Deposits with Private Financial Institutions	(140,837)
Investments in the Short-Term Investment Fund	6,658,904
Total Deposits and Investments	$ 6,524,067
Deposits	
Current:	
Cash and Cash Equivalents	$ 5,281,435
Restricted Cash and Cash Equivalents	917,683
Noncurrent:	
Restricted Cash and Cash Equivalents	324,949
Total Deposits and Investments	$ 6,524,067

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the College's investments are recorded at fair value as of June 30, 2020. 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 (or liabilities) 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 (or liability), either directly or indirectly.

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

College - At year-end, all of the College's investments valued at $6,371,920 were held in the STIF which is a Level 2 investment.

Component Unit - The following table summarizes the valuation of the College's discretely presented component unit's financial assets and liabilities measured at fair value as of June 30, 2020, based on the level of input utilized to measure fair value.

	Assets Measured at Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable (Level 2)	Unobservable (Level 3)
Beneficial interest in remainder trusts	$ 1,743,253	$ -	$ -	$ 1,743,253
	1,743,253	$ -	$ -	$ 1,743,253
Investments with Community Foundation of WNC [(a)]	7,898,283			
	$ 9,641,536			

[(a)] In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) 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 the amounts presented in the statements of financial position.

Fair value for the beneficial interests in remainder trusts (Level 3) is determined by estimating the present values of the future distributions expected to be received. Inputs include June 30, 2020 values of the investments in the trusts, data from published life expectancy tables and a 3% discount rate. There have been no changes in the valuation techniques and related inputs.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Beneficial Interest in Remainder Trusts
July 1, 2019	$ 1,725,034
Present value adjustment	18,219
July 1, 2020	$ 1,743,253

NOTE 4 - RECEIVABLES

The College's receivables at June 30, 2020 were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 305,213	$ 201,474	$ 103,739
Student Sponsors	59,783	23,698	36,085
Intergovernmental	158,404	-	158,404
Vendors	161,664	-	161,664
Patrons	34,973	-	34,973
Private Grantors	200,327	-	200,327
Other	226,641	-	226,641
Total Current Receivables	$ 1,147,005	$ 225,172	$ 921,833

Note 5 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2020 is presented as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets, Nondepreciable:				
Land	$ 5,958,213	$ -	$ -	$ 5,958,213
Construction in Progress - Infrastructure	10,546,446	4,553,228	1,097,903	14,001,771
Total Capital Assets, Nondepreciable	16,504,659	4,553,228	1,097,903	19,959,984
Capital Assets, Depreciable:				
Buildings	153,906,386	1,097,903	-	155,004,289
Machinery and Equipment	17,578,867	1,176,119	716,037	18,038,949
General Infrastructure	11,007,490	-	-	11,007,490
Total Capital Assets, Depreciable	182,492,743	2,274,022	716,037	184,050,728
Less Accumulated Depreciation/Amortization for:				
Buildings	39,109,993	2,411,092	-	41,521,085
Machinery and Equipment	9,305,458	1,278,323	611,696	9,972,085
General Infrastructure	2,952,025	207,652	-	3,159,677
Total Accumulated Depreciation	51,367,476	3,897,067	611,696	54,652,847
Total Capital Assets, Depreciable, Net	131,125,267	(1,623,045)	104,341	129,397,881
Capital Assets, Net	$ 147,629,926	$ 2,930,183	$ 1,202,244	$ 149,357,865

Note 6 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2020 were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 521,279
Accrued Payroll	549,323
Contracts Payable	256,256
Intergovernmental Payables	7,870
Total	$ 1,334,728

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2020 is presented as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Capital Leases Payable	$ 16,450	$ 133,427	$ 39,369	$ 110,508	$ 31,620
Compensated Absences	3,741,184	2,309,058	2,222,238	3,828,004	527,882
Net Pension Liability	16,003,417	242,641	-	16,246,058	-
Net OPEB Liability	39,235,560	3,279,104	-	42,514,664	-
Total Long-Term Liabilities	$ 58,996,611	$ 5,964,230	$ 2,261,607	$ 62,699,234	$ 559,502

NOTE 8 - LEASE OBLIGATIONS

A. Capital Lease Obligations - Capital lease obligations relating to copiers are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2020:

Fiscal Year	Amount
2021	$ 36,827
2022	25,413
2023	25,413
2024	25,413
2025	10,589
Total Minimum Lease Payments	123,655
Amount Representing Interest (5.58% Rates of Interest)	13,147
Present Value of Future Lease Payments	$ 110,508

Machinery and equipment associated with capital leases were acquired in fiscal year 2020 and amounted to $133,427. Depreciation for these capital assets, included in depreciation expense and accumulated depreciation, totaled $24,098 at June 30, 2020.

B. Operating Lease Obligations - The College entered into operating leases for equipment. Future minimum leases payments under noncancelable operating leases for June 30, 2020:

Fiscal Year	Amount
2021	$ 172,494
2022	154,672
2023	104,732
2024	59,083
2025	13,834
Total Minimum Lease Payments	$ 504,815

Rental expense for all operating leases during the year was $164,144.

NOTE 9 - NET POSITION

Unrestricted net position has been significantly affected by transactions resulting from the recognition of deferred outflows of resources, deferred inflows of resources, and related long-term liabilities, as shown in the following table:

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (9,790,512)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(54,516,621)
Effect on Unrestricted Net Position	(64,307,133)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	3,285,548
Total Unrestricted Net Position	$ (61,021,585)

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	Internal Sales Eliminations	Less Scholarship Discounts	Change in Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 10,227,420	$ -	$ 3,501,751	$ (172,333)	$ 6,898,002
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	2,249,696	28,562	897,870	(19,919)	1,343,183
Rent	161,723	-	-	-	161,723
Vending	53,848	-	-	-	53,848
Other	86,925	-	-	-	86,925
Sales and Services of Education and Related Activities	114,361	-	-	-	114,361
Total Sales and Services, Net	$ 2,666,553	$ 28,562	$ 897,870	$ (19,919)	$ 1,760,040
Nonoperating Revenues:					
Noncapital Contributions, Net	$ 3,252,291	$ -	$ -	$ -	$ 3,252,291
Other Revenues:					
Capital Contributions, Net	$ 3,278,426	$ -	$ -	$ -	$ 3,278,426

NOTE 11 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	$ 22,024,137	$ 3,490,791	$ 11,300	$ -	$ -	$ 25,526,228
Academic Support	5,632,240	539,928	-	-	-	6,172,168
Student Services	3,577,894	270,929	-	-	-	3,848,823
Institutional Support	6,896,945	3,092,767	-	-	-	9,989,712
Operations & Maintenance of Plant	2,481,317	2,566,147	-	1,384,727	-	6,432,191
Student Financial Aid	-	-	6,947,412	-	-	6,947,412
Auxiliary Enterprises	205,244	1,904,377	-	-	-	2,109,621
Depreciation	-	-	-	-	3,897,067	3,897,067
Total Operating Expenses	$ 40,817,777	$ 11,864,939	$ 6,958,712	$ 1,384,727	$ 3,897,067	$ 64,923,222

Included in the scholarship and fellowship function are student financial aid operating expenses for emergency financial aid payments to eligible students. These payments are for expenses related to the disruption of campus operations due to the coronavirus of $1,837,440 provided by the CARES Act – Higher

Education Emergency Relief Fund ("HEERF"). Because of the administrative involvement by the College in providing the student awards, the related program activity is reported as nonoperating Federal Aid – COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 1.

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 ("LEO") of the State, general employees and LEOs of its component units, and employees of Local Education Agencies ("LEA") 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, 2020 was 12.97% of covered payroll. Employee contributions to the pension plan were $1,442,352, and the College's contributions were $3,117,883 for the year ended June 30, 2020.

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 2015 *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 market 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 *2019 Comprehensive Annual Financial Report.*

Net Pension Liability: At June 30, 2020, the College reported a liability of $16,246,058 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total pension liability to June 30, 2019. 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, 2019, the College's proportion was 0.15671%, which was a decrease of 0.00403% from its proportion measured as of June 30, 2018, which was 0.16074%.

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	12/31/2018
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 healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 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, 2019 (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, 2019 is 1.4%.

Discount Rate: The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2018 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, 2019, 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%)
$30,920,768	$16,246,058	$3,935,847

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2020, the College recognized pension expense of $5,899,394. At June 30, 2020, 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	$ 1,358,964	$ 32,524
Changes of assumptions	1,731,081	-
Net difference between projected and actual earnings on pension plan investments	311,414	-
Change in proportion and differences between agency's contributions and proportionate share of contributions	161,129	192,401
Contributions subsequent to the measurement date	3,117,883	-
Total	$ 6,680,471	$ 224,925

The amount of $3,117,883 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

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

Year ended June 30:		Amount
2021	$	2,423,496
2022		566,440
2023		238,787
2024		108,940
2025		-
Total	$	3,337,663

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 2019 *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.

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 market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2019 *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, 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 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 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, 2020 was 6.47% of covered payroll. The College's contributions to the RHBF were $1,555,336 for the year ended June 30, 2020.

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 University Employees' 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 University Employees' 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 University Employees' 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 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 0.10% of covered payroll. The College's contributions to DIPNC were $24,039 for the year ended June 30, 2020.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2020, the College reported a liability of $42,514,664 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2019. 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, 2019, the College's proportion was 0.13437%, which was a decrease of 0.00336% from its proportion measured as of June 30, 2018, which was 0.13773%.

Net OPEB Asset: At June 30, 2020, the College reported an asset of $58,986 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2019. 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, 2019, the College's proportion was 0.13670%, which was a decrease of 0.00402% from its proportion measured as of June 30, 2018, which was 0.14072%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2019 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2018	12/31/2018
Inflation	3.00%	3.00%
Salary Increases*	3.50% - 8.10%	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	9.50% grading down to 5.00% by 2028	9.50% grading down to 5.00% by 2028
Healthcare Cost Trend Rate - Medicare Advantage	6.50% grading down to 5.00% by 2024	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, 2019.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2019 (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, 2019 is 1.4%.

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, 2018 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 3.50%. 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 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019.

The discount rate used to measure the total OPEB liability 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 liability.

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 (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
RHBF	$ 50,522,793	$ 42,514,664	$ 36,102,517

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	$ (49,960)	$ (58,986)	$ (67,757)

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:

Net OPEB Liability (Asset)

	1% Decrease (Medical - 4.00% - 5.50%, Pharmacy - 4.00% - 8.50%, Med. Advantage - 4.00% - 5.50%, Administrative - 2.00%)	Current Healthcare Cost Trend Rates (Medical - 5.00% - 6.50%, Pharmacy - 5.00% - 9.50%, Med. Advantage - 5.00% - 6.50%, Administrative - 3.00%)	1% Increase (Medical - 6.00% - 7.50%, Pharmacy - 6.00% - 10.50%, Med. Advantage - 6.00% - 7.50%, Administrative - 4.00%)
RHBF	31,580,149	42,514,664	52,385,266

	1% Decrease (Medical - 4.00% - 5.50%, Pharmacy - 4.00% - 8.50%)	Current Healthcare Cost Trend Rates (Medical - 5.00% - 6.50%, Pharmacy - 5.00% - 9.50%)	1% Increase (Medical - 6.00% - 7.50%, Pharmacy - 6.00% - 10.50%)
DIPNC	$ (59,090)	$ (58,986)	$ (58,889)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2020, the College recognized OPEB expense of $(906,577) for RHBF and $57,734 for DIPNC. At June 30, 2020, 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	$ -	$ 60,259	$ 60,259
Changes of Assumptions	2,043,455	6,534	2,049,989
Net Difference Between Projected and Actual Earnings on Plan Investments	28,311	11,235	39,546
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	2,369,596	5,343	2,374,939
Contributions Subsequent to the Measurement Date	1,555,336	24,039	1,579,375
Total	$ 5,996,698	$ 107,410	$ 6,104,108

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 2,143,275	$ -	$ 2,143,275
Changes of Assumptions	12,781,771	6,052	12,787,823
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	3,073,609	129	3,073,738
Total	$ 17,998,655	$ 6,181	$ 18,004,836

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, 2021. 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
2021	$ (4,351,331)	$ 25,696
2022	(4,351,331)	17,536
2023	(4,347,238)	12,963
2024	(651,295)	8,313
2025	143,902	11,276
Thereafter	-	1,406
Total	$ (13,557,293)	$ 77,190

NOTE 14 - RISK MANAGEMENT

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

A. Public Entity Risk Pool

Public School Insurance Fund

Fire and other property losses are covered by the Public School Insurance Fund (Fund), a state-administered public entity risk pool. The Fund is financed by premiums and interest collected through membership participation and retains a $10,000,000 million deductible per occurrence. Reinsurance is purchased by the Fund to cover catastrophic events in excess of the $10,000,000 million deductible. Membership insured property is covered under an all risk coverage contract. Building and contents are valued under a replacement cost basis. No coinsurance penalties apply. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

B. Employee Benefit Plans

1. State Health Plan

College employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the 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 who enroll in the Teachers' and State Employees' Retirement System. 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 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 another postemployment benefit 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.

4. Dental Plan

The College's dental plan is self-funded and administered by the Interactive Medical Systems Corp. The administrative fee includes aggregate stop loss protection.

C. 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. The 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 paid from non-state funds is purchased from Cincinnati Insurance Company with coverage of $25,000 per occurrence and a $1,000 deductible.

4. Statewide Workers' Compensation Program

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

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

NOTE 15 - COMMITMENTS AND CONTINGENCIES

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 $262,667 at June 30, 2020.

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

Federally funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the College.

NOTE 16 - THE CORONAVIRUS PANDEMIC EMERGENCY

In response to the coronavirus pandemic emergency, actions were taken by the College in March 2020 to reduce the spread of the coronavirus disease ("COVID-19") and to provide for the health and safety of students, faculty, and staff.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The CARES Act included various relief and recovery aid programs to address COVID-19 expenses and the costs incurred and revenue lost due to the actions taken to reduce the spread of COVID-19. For the College, these programs included (1) the Coronavirus Relief Fund ("CRF") administered by the U.S. Department of Treasury and made available directly to state and local governments, (2) HEERF administered by the U.S. Department of Education and made available directly to universities and colleges.

The revenues from these programs are contingent upon meeting the terms and conditions of the programs and signed agreements with the funding agencies, are recognized when qualifying expenditures are incurred, funds are used for intended purposes, and other eligibility requirements are met, and are reported in the following revenue captions of the financial statements:

Nonoperating Revenue:

State Aid - Coronavirus Relief Fund - This caption includes funds received from the CARES Act - CRF that were appropriated by the State of North Carolina in House Bill 1043 to the Community College System Office and allocated to the colleges to cover COVID-19 expenses. These funds are reported separately from Federal Aid - COVID-19 revenues due to the reporting requirements of the State of North Carolina. As of June 30, funds have been allocated for Small Business Center Counseling, College Career Counselors and Academic Advisory, and Virtual Student Tutoring. The CRF funds must be expended by December 30, 2020.

Federal Aid - COVID-19 - This caption includes the HEERF funds received by the College.
These funds provided include: (1) a student allocation to provide for emergency financial aid grants to students for expenses related to the disruption of campus operations due to COVID-19, (2) an institutional allocation to cover costs associated with significant changes to the delivery of instruction due to COVID-19 including the recovery of revenue lost due to those changes, and (3) an additional award to address needs directly related to COVID-19. The HEERF funds must be expended within one year of the grant award notification date.

Summary of State and Federal Aid - COVID-19 Revenue Activities for the Fiscal Year Ended June 30, 2020:

Program	Total Authorized Award	Earned Revenue	Unearned Revenue
State Aid - Coronavirus Relief Fund:			
CRF - Community College System Office Allocations	$ 241,233	$ 1,250	$ -
Total State Aid - Coronavirus Relief Fund		$ 1,250	$ -
Federal Aid - COVID-19:			
HEERF - Student Allocation	$ 1,843,304	$ 1,837,440	$ -
HEERF - Institutional Allocation	1,843,303	112,876	-
HEERF - Additional Award	182,152	-	-
Total Federal Aid - COVID-19		$ 1,950,316	$ -

NOTE 17 - SUBSEQUENT EVENTS

The College has evaluated events through April 27, 2021, which is the date the financial statements were available to be issued.

The Higher Education Emergency Relief Fund II (HEERF II) is authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), Public Law 116-260, signed into law on Dec. 27, 2020. In total, the CRRSAA authorizes $81.88 billion in support for education, in addition to the $30.75 billion expeditiously provided last spring through the Coronavirus Aid, Recovery, and Economic Security (CARES) Act, Public Law 116-136. The College's allocation totals were $7,164,686.

NOTE 18 - AUDIT HOURS AND COSTS

The FY 2020 audit required 300 audit hours at an approximate cost of $41,715. The cost represents 0.03% of the College's total assets and 0.06% of total expenses subject to audit.

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REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit C-1

Teachers' and State Employees' Retirement System		**2020**	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net Pension Liability	*(1)*	0.15671%	0.16074%	0.15910%	0.15401%
Proportionate Share of TSERS Collective Net Pension Liability	*(2)*	$ 16,246,058	$ 16,003,417	$ 12,623,696	$ 14,155,110
Covered Payroll	*(3)*	$ 24,536,433	$ 24,378,866	$ 23,629,330	$ 22,630,011
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	*(4)*	66.21%	65.64%	53.42%	62.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	*(5)*	87.56%	87.61%	89.51%	87.32%

		2016	**2015**	**2014**
Proportionate Share Percentage of Collective Net Pension Liability	*(1)*	0.16336%	0.15651%	0.15650%
Proportionate Share of TSERS Collective Net Pension Liability	*(2)*	$ 6,020,139	$ 1,834,956	$ 9,501,145
Covered Payroll	*(3)*	$ 24,324,796	$ 22,473,635	$ 22,240,354
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	*(4)*	24.75%	8.16%	42.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	*(5)*	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.

Asheville-Buncombe Technical 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		**2020**	**2019**	**2018**	**2017**	**2016**
Contractually Required Contribution	*(1)*	$ 3,117,883	$ 3,015,528	$ 2,628,042	$ 2,358,207	$ 2,070,646
Contributions in Relation to the Contractually Determined Contribution	*(2)*	3,117,883	3,015,528	2,628,042	2,358,207	2,070,646
Contribution Deficiency (Excess)	*(3)*	$ -	$ -	$ -	$ -	$ -
Covered Payroll	*(4)*	$ 24,039,190	$ 24,536,433	$ 24,378,866	$ 23,629,330	$ 22,630,011
Contributions as a Percentage of Covered Payroll	*(5)*	12.97%	12.29%	10.78%	9.98%	9.15%

		2015	**2014**	**2013**	**2012**	**2011**
Contractually Required Contribution	*(1)*	$ 2,137,175	$ 1,952,959	$ 1,852,615	$ 1,574,204	$ 1,023,611
Contributions in Relation to the Contractually Determined Contribution	*(2)*	2,137,175	1,952,959	1,852,615	1,574,204	1,023,611
Contribution Deficiency (Excess)	*(3)*	$ -	$ -	$ -	$ -	$ -
Covered Payroll	*(4)*	$ 24,324,796	$ 22,473,635	$ 22,240,354	$ 21,158,659	$ 21,195,359
Contributions as a Percentage of Covered Payroll	*(5)*	8.79%	8.69%	8.33%	7.44%	4.83%

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

Asheville-Buncombe Technical Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2020

Changes of Benefit Terms:

Cost of Living Increase

Teachers' and State Employees' Retirement System	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
	N\A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	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 the most recent available information included in the State of North Carolina's 2019 *Comprehensive Annual Financial Report*.

N/A - Not Applicable

Asheville-Buncombe Technical 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 Four Fiscal Years**

Exhibit C-3

Retiree Health Benefit Fund		**2020**	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability	*(1)*	0.13437%	0.13773%	0.12984%	0.13901%
Proportionate Share of Collective Net OPEB Liability	*(2)*	$ 42,514,664	$ 39,235,560	$ 42,571,274	$ 60,474,075
Covered Payroll	*(3)*	$ 24,039,190	$ 24,536,433	$ 24,378,866	$ 23,629,330
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	*(4)*	176.86%	159.91%	174.62%	255.93%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	*(5)*	4.40%	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina					
Proportionate Share Percentage of Collective Net OPEB Asset	*(1)*	0.13670%	0.14072%	0.13918%	0.13611%
Proportionate Share of Collective Net OPEB Asset	*(2)*	$ 58,986	$ 42,745	$ 85,067	$ 84,524
Covered Payroll	*(3)*	$ 24,536,433	$ 24,536,433	$ 24,378,866	$ 23,629,330
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	*(4)*	0.24%	0.17%	0.35%	0.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	*(5)*	113.00%	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.

Asheville-Buncombe Technical 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		**2020**	**2019**	**2018**	**2017**	**2016**
Contractually Required Contribution	*(1)*	$ 1,555,336	$ 1,538,434	$ 1,474,921	$ 1,372,864	$ 1,267,281
Contributions in Relation to the Contractually Determined Contribution	*(2)*	$ 1,555,336	1,538,434	1,474,921	1,372,864	1,267,281
Contribution Deficiency (Excess)	*(3)*	$ -	$ -	$ -	$ -	$ -
Covered Payroll	*(4)*	$ 24,039,190	$ 24,536,433	$ 24,378,866	$ 23,629,330	$ 22,630,011
Contributions as a Percentage of Covered Payroll	*(5)*	6.47%	6.27%	6.05%	5.81%	5.60%

		2015	**2014**	**2013**	**2012**	**2011**
Contractually Required Contribution	*(1)*	$ 1,335,431	$ 1,213,576	$ 1,178,739	$ 1,057,933	$ 1,038,573
Contributions in Relation to the Contractually Determined Contribution	*(2)*	1,335,431	1,213,576	1,178,739	1,057,933	1,038,573
Contribution Deficiency (Excess)	*(3)*	$ -	$ -	$ -	$ -	$ -
Covered Payroll	*(4)*	$ 24,324,796	$ 22,473,635	$ 22,240,354	$ 21,158,659	$ 21,195,359
Contributions as a Percentage of Covered Payroll	*(5)*	5.49%	5.40%	5.30%	5.00%	4.90%

Disability Income Plan of North Carolina		**2020**	**2019**	**2018**	**2017**	**2016**
Contractually Required Contribution	*(1)*	$ 24,039	$ 34,351	$ 34,130	$ 89,791	$ 92,783
Contributions in Relation to the Contractually Determined Contribution	*(2)*	24,039	$ 34,351	$ 34,130	$ 89,791	92,783
Contribution Deficiency (Excess)	*(3)*	$ -	$ -	$ -	$ -	$ -
Covered Payroll	*(4)*	$ 24,039,190	$ 24,536,433	$ 24,378,866	$ 23,629,330	$ 22,630,011
Contributions as a Percentage of Covered Payroll	*(5)*	0.10%	0.14%	0.14%	0.38%	0.41%

		2015	**2014**	**2013**	**2012**	**2011**
Contractually Required Contribution	*(1)*	$ 99,732	$ 98,884	$ 97,858	$ 110,025	$ 110,216
Contributions in Relation to the Contractually Determined Contribution	*(2)*	99,732	98,884	97,858	110,025	110,216
Contribution Deficiency (Excess)	*(3)*	$ -	$ -	$ -	$ -	$ -
Covered Payroll	*(4)*	$ 24,324,796	$ 22,473,635	$ 22,240,354	$ 21,158,659	$ 21,195,359
Contributions as a Percentage of Covered Payroll	*(5)*	0.41%	0.44%	0.44%	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.

Asheville-Buncombe Technical Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2020

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.

Effective January 1, 2019, benefit terms related to copays, out-of-pockets maximums, and deductibles were changes for one of four options of the RHBF. Out of pocket maximums increased while certain specialist copays decreased related to option benefits.

Additionally, the December 31, 2017 Disability Income Plan of North Carolina (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.

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 College 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 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.

For the actuarial valuation measured as of June 30, 2019, the discount rate for the RHBF was updated to 3.5%. Disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claims were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations amount RHBF plan options over the next four year. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset for the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of disability.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2019 *Comprehensive Annual Financial Report* .

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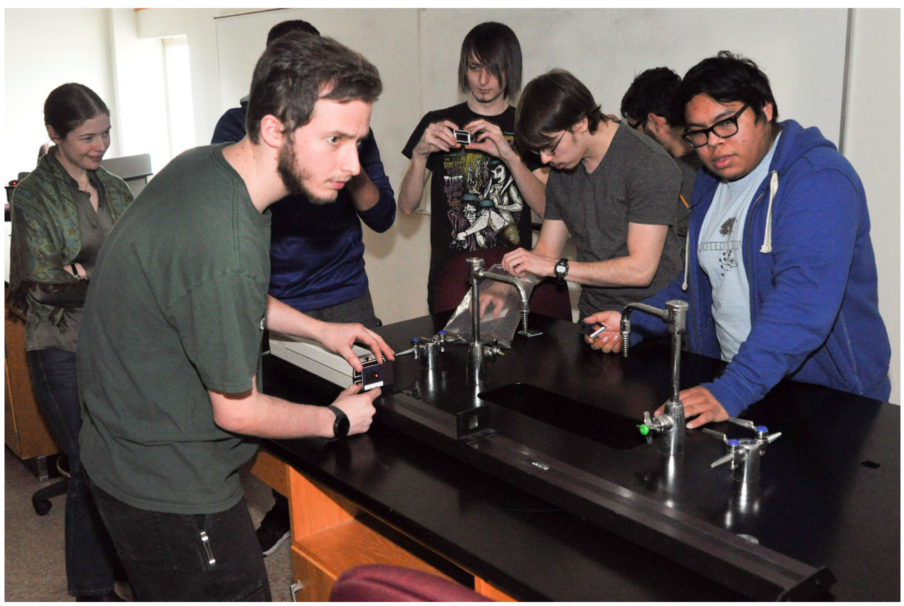
Dedicated to student success,
A-B Tech delivers quality education
to enhance academic, workforce,
and personal development.



COMPLIANCE SECTION

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Report of Independent Auditor 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*

To the Board of Trustees
Asheville-Buncombe Technical Community College
Asheville, 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 Asheville-Buncombe Technical Community College (the "College"), a component unit of the State of North Carolina, and the discretely presented component unit, Asheville-Buncombe Technical Community College Foundation (the "Foundation") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated April 27, 2021. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Cherry Bekaert LLP

Charlotte, North Carolina
April 27, 2021