

Blue Ridge Community College

Flat Rock, NC



Financial Statement Audit Report

For the Year Ended June 30, 2025

State Auditor
Dave Boliek

*A Constitutional Office of the
State of North Carolina*





North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Auditor's Transmittal

The Honorable Josh Stein, Governor
The Honorable Phil Berger, President Pro Tempore
The Honorable Destin Hall, Speaker of the House
Honorable Members of the North Carolina General Assembly
Board of Trustees, Blue Ridge Community College
Dr. Laura B. Leatherwood, President

Serving Henderson and Transylvania counties, Blue Ridge Community College offers more than 200 degrees, diplomas, and certificates. Given the College reports \$42.1 million in revenues and \$41.8 million in expenses, it is important that proper financial control is maintained in the community college's daily operations.

Through financial audits of universities and colleges, the North Carolina Office of the State Auditor assesses whether the records prepared by schools are materially correct. Our audit of Blue Ridge Community College's financial records shows no material errors for the year ended June 30, 2025.

I'd like to thank Blue Ridge Community College and their staff for their assistance and cooperation as our team conducted this audit.

Respectfully submitted,

Dave Boliek
State Auditor



REPORT SUMMARY

Blue Ridge Community College Financial Statement Audit

The Office of the State Auditor performs financial statement audits¹ at community colleges every two years.

Quick Highlights

 **Revenues:**
\$42.1 Million

Expenses:
\$41.8 Million  

Audit Results

- The College's financial statements for fiscal year ended June 30, 2025 are **accurate** and **reliable**.
- Our audit found **no material weaknesses in internal controls or instances of reportable noncompliance**.

Audit Purpose & Importance

Provide an opinion on whether the College's financial statements are materially correct and, if necessary, report any internal control weaknesses or noncompliance with laws and regulations.

The financial statement audit serves a vital role in promoting transparency, accountability, and trust in the College's financial operations.

While a formal process, the audit's impact extends to many members of the public, including:

- Students and families depend on financial stability to support access to quality education, scholarships, and services.
- Citizens and public officials expect responsible reporting of public funds and grants.
- Donors rely on accurate financial reporting to ensure contributions are used as intended.
- Faculty, staff, and administrators count on financial health to sustain programs and long-term planning.
- Accrediting bodies and regulators use audited financial statements to assess compliance and viability.

Reports

The College's financial statement audit reports are available on our website at this [link](#).

Please review the report to fully understand the College's overall financial health and our reporting responsibilities.

A "clean" audit opinion supports public trust and demonstrates the College's commitment to responsible financial stewardship, assuring stakeholders that resources are being managed to fulfill the institution's mission.

¹ North Carolina General Statute 115D-58.16



Table of Contents

	Page
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	4
Basic Financial Statements	
Exhibits	
College:	
A-1 Statement of Net Position.....	14
A-2 Statement of Revenues, Expenses, and Changes in Net Position.....	16
A-3 Statement of Cash Flows.....	17
Discretely Presented Component Unit:	
B-1 Statement of Financial Position	19
B-2 Statement of Activities	20
Notes to the Financial Statements	21
Required Supplementary Information	
C-1 Schedule of the Proportionate Share of the Net Pension Liability (Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan).....	50
C-2 Schedule of College Contributions (Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan)	51
Notes to Required Supplementary Information (Cost-Sharing, Multiple- Employer, Defined Benefit Pension Plan)	52
C-3 Schedule of the Proportionate Share of the Net OPEB Liability or Asset (Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans)	53
C-4 Schedule of College Contributions (Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans)	55
Notes to Required Supplementary Information (Cost-Sharing, Multiple- Employer, Defined Benefit OPEB Plans)	57
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	58
Ordering Information.....	60

Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



Independent Auditor's Report



North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Blue Ridge Community College (College), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of Blue Ridge Community College, and its discretely presented component unit, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Blue Ridge Community College Educational Foundation, Inc. (Foundation), the College's discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundation, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The College's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAGAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed

in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 March 10, 2026 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.



Dave Boliek
State Auditor

Raleigh, North Carolina

March 10, 2026



Management's Discussion and Analysis

Purpose

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

Overview of the Financial Statements

In accordance with Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35, the financial statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. The full scope of the College's activities is considered a single, business-type activity. The financial 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 financial statements contain three basic statements:

- The Statement of Net Position presents the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. Net position reflects the differences in revenues and expenses over the life of the College. Net position is one indicator of the current financial position of the College when considered with certain nonfinancial facts such as enrollment levels and the age and condition of its buildings. (Exhibit A-1)
- The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as operating or nonoperating. The financial reporting model requires state aid and county appropriations to be reported as nonoperating revenue, even though they provide most of the College's funding. Consequently, this classification often causes the College to report an operating loss. Additionally, depreciation and amortization are recognized and presented as an operating expense. (Exhibit A-2)
- The Statement of Cash Flows presents the cash inflows and outflows of the College for the year summarizing by operating, noncapital financing, capital financing, and investing activities. The statement provides a reconciliation of cash balances at the beginning of the year to cash balances at the end of the year. (Exhibit A-3)

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

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

Financial Analysis

Condensed Statement of Net Position

The College's Statement of Net Position for the fiscal years ended June 30, 2025 and 2024 is displayed in the following table for comparative analysis:

	<u>2025</u>	<u>2024</u>	<u>Increase/ (Decrease)</u>
Assets			
Current Assets	\$ 8,653,046.79	\$ 6,295,127.75	\$ 2,357,919.04
Noncurrent Assets	4,174,788.17	5,363,500.26	(1,188,712.09)
Capital Assets, Net	<u>66,159,470.48</u>	<u>67,254,902.81</u>	<u>(1,095,432.33)</u>
Total Assets	<u>78,987,305.44</u>	<u>78,913,530.82</u>	<u>73,774.62</u>
Total Deferred Outflows of Resources	<u>12,888,204.00</u>	<u>12,064,071.00</u>	<u>824,133.00</u>
Liabilities			
Current Liabilities	1,356,988.39	2,100,119.96	(743,131.57)
Long-Term Liabilities	<u>32,651,713.92</u>	<u>29,476,331.41</u>	<u>3,175,382.51</u>
Total Liabilities	<u>34,008,702.31</u>	<u>31,576,451.37</u>	<u>2,432,250.94</u>
Total Deferred Inflows of Resources	<u>2,716,019.00</u>	<u>4,550,663.00</u>	<u>(1,834,644.00)</u>
Net Position			
Net Investment in Capital Assets	65,886,468.48	66,733,110.81	(846,642.33)
Restricted	5,449,550.00	5,504,854.44	(55,304.44)
Unrestricted	<u>(16,185,230.35)</u>	<u>(17,387,477.80)</u>	<u>1,202,247.45</u>
Total Net Position	<u>\$ 55,150,788.13</u>	<u>\$ 54,850,487.45</u>	<u>\$ 300,300.68</u>

Assets

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

Total assets for the year ended June 30, 2025 increased \$73,774.62 when compared to the prior year, primarily due to the following:

- Current assets increased \$2,357,919.04 due primarily to the receipt in FY24 of a non-recurring \$2.3 million grant from the North Carolina General Assembly to fund capital and repair and maintenance projects. As a result, the College used less unrestricted cash to cover these costs during FY25. Other reasons for the increase included increases in state aid, investment income, and other nonoperating revenues, as discussed below.
- Noncurrent assets decreased \$1,188,712.09 due primarily to the receipt of a Golden LEAF receivable recorded in the prior year for the greenhouse project combined with a decrease

in noncurrent restricted cash to fund capital expenditures for the greenhouse project, machinery and equipment, and repair and maintenance projects.

- Net capital assets decreased by \$1,095,432.33 during the fiscal year. The decrease was primarily attributable to the sale of 0.31 acres of land at the Transylvania County campus related to a right-of-way acquisition by the North Carolina Department of Transportation for highway construction, as well as depreciation and amortization expenses exceeding current year capital additions. These reductions were partially offset by capital investment activity during the year, including a \$669,263.55 increase to construction in progress for a new automated greenhouse to support agriculture education and workforce development, and an increase in machinery and equipment of \$1,405,925.45 primarily due to additional program-specific funding for the purchase of equipment to support the College's healthcare programs. Refer to Note 6 of the financial statements for detail of the changes in capital assets by category.

Deferred Outflows of Resources

Deferred outflows of resources increased \$824,133.00 for the fiscal year ended June 30, 2025. The increase is primarily due to actuarial changes in assumptions and the difference between projected and actual earnings on pension and other postemployment benefit (OPEB) plan investments. Refer to Notes 13 and 14 of the financial statements for a detailed analysis of deferred outflows of resources related to pensions and OPEB, respectively.

Liabilities

The College's liabilities are divided between current liabilities payable within twelve months and long-term liabilities that extend beyond a year. Current liabilities are primarily limited to accounts payable, the current portion of accrued employee annual leave estimated to be paid during the next fiscal year, unearned revenue, and the current portion of lease and subscription liabilities. Long-term liabilities include accrued employee annual leave, lease liabilities and subscription liabilities that will not be paid within the next fiscal year. Also included in long-term liabilities is the College's proportionate share of the State's collective net pension liability and net OPEB liability.

Current liabilities in the fiscal year ended June 30, 2025 decreased \$743,131.57 when compared to the prior year. This was primarily due to a \$527,272.69 decrease in accounts payable accruals because capital projects related to IT cable installation and greenhouse construction were completed during the period.

Long-term liabilities increased \$3,175,382.51 primarily due to a \$1,245,422.00 decrease in the net pension liability and a \$4,521,547.00 increase in the net OPEB liability, both due to changes in actuarial valuations of the plans. See Note 8 of the notes to the financial statements for further details.

Deferred Inflows of Resources

The College's deferred inflows of resources decreased \$1,834,644.00 for the fiscal year end June 30, 2025. The decrease is primarily due to changes in assumptions made by actuaries for

the State's pension and OPEB plans. Refer to Notes 13 and 14 of the financial statements for further detail regarding deferred inflows related to pensions and OPEB, respectively.

Net Position

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

- Net investment in capital assets represents the College's capital assets net of accumulated depreciation, amortization, and outstanding liabilities related to those capital assets. Net investment in capital assets decreased \$846,642.33 primarily due to the sale of land and depreciation and amortization expenses exceeding current-year additions.
- Restricted nonexpendable net position includes an endowment whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity. There was no change in restricted nonexpendable net position during fiscal year 2025.
- Restricted expendable net position includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. Restricted expendable net position did not change significantly from the prior year.
- Unrestricted net position includes resources derived from net student tuition and fees, sales and services, unrestricted gifts, and interest income. The deficit in unrestricted net position of \$16,185,230.35 for the fiscal year ended June 30, 2025, represents a \$1,202,247.45 decrease in the deficit from the prior year, with the change being substantially attributable to an overall net decrease in pension and OPEB related balances and the increase in cash discussed previously. Refer to Note 10 of the financial statements for further detail regarding the effects of pension and OPEB-related balances on unrestricted net position.

Statement of Revenues, Expenses & Changes in Net Position

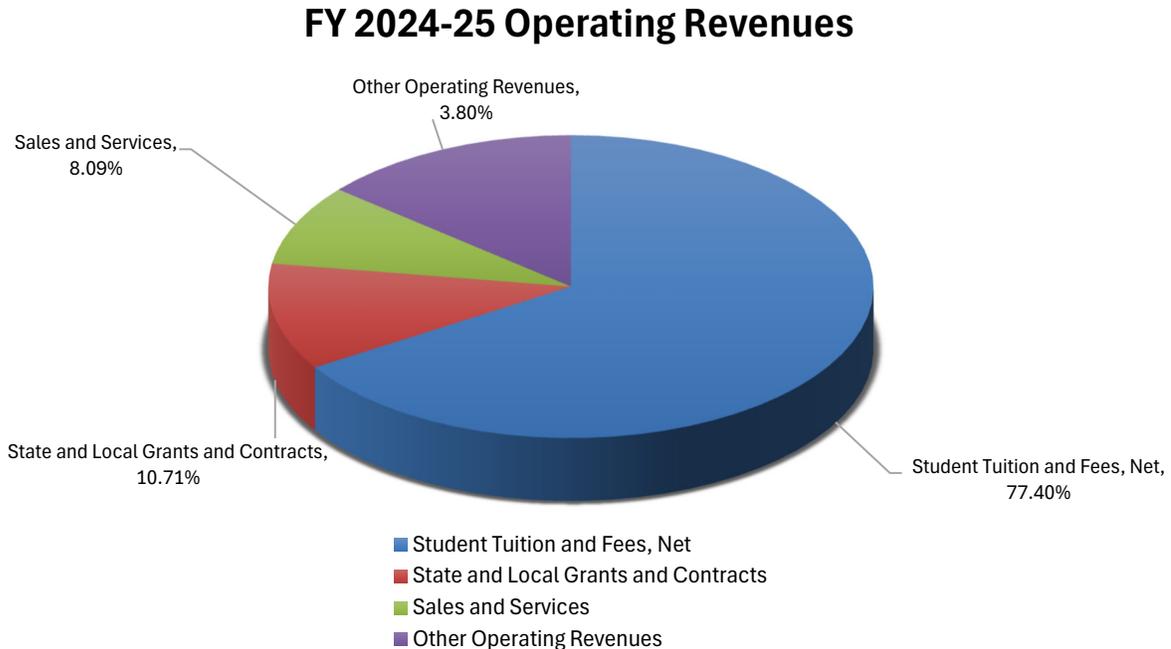
The College's Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2025, is displayed in the following table for comparative purposes:

	2025	2024	Increase / (Decrease)
Operating Revenues			
Student Tuition and Fees, Net	\$ 2,234,146.08	\$ 2,497,928.32	\$ (263,782.24)
State and Local Grants and Contracts	309,205.00	309,205.00	-
Sales and Services	233,560.97	218,252.02	15,308.95
Other Operating Revenues	109,568.58	108,938.65	629.93
Total Operating Revenues	<u>2,886,480.63</u>	<u>3,134,323.99</u>	<u>(247,843.36)</u>
Operating Expenses			
Salaries and Benefits	24,299,413.10	23,609,424.61	689,988.49
Supplies and Services	7,536,268.51	5,902,858.43	1,633,410.08
Scholarships and Fellowships	6,173,402.40	3,423,262.90	2,750,139.50
Utilities	788,180.24	774,194.00	13,986.24
Depreciation/Amortization	2,971,345.31	2,782,204.21	189,141.10
Total Operating Expenses	<u>41,768,609.56</u>	<u>36,491,944.15</u>	<u>5,276,665.41</u>
Operating Loss	(38,882,128.93)	(33,357,620.16)	(5,524,508.77)
Nonoperating Revenues			
State Aid	17,494,471.68	16,382,608.00	1,111,863.68
County Appropriations	6,438,414.00	6,155,319.02	283,094.98
Student Financial Aid	6,666,128.25	4,957,891.77	1,708,236.48
Noncapital Contributions	5,367,630.33	2,457,172.58	2,910,457.75
Investment Income and Other Nonoperating Revenues	546,735.99	21,948.10	524,787.89
Total Nonoperating Revenues	<u>36,513,380.25</u>	<u>29,974,939.47</u>	<u>6,538,440.78</u>
Capital Aid and Contributions	2,669,049.36	5,030,672.81	(2,361,623.45)
Increase in Net Position	<u>300,300.68</u>	<u>1,647,992.12</u>	<u>(1,347,691.44)</u>
Net Position			
Net Position - Beginning of Year	54,850,487.45	53,202,495.33	1,647,992.12
Net Position - End of the Year	<u>\$ 55,150,788.13</u>	<u>\$ 54,850,487.45</u>	<u>\$ 300,300.68</u>
Reconciliation of Increase in Net Position			
Total Revenues	\$ 42,068,910.24	\$ 38,139,936.27	\$ 3,928,973.97
Less Total Expenses	41,768,609.56	36,491,944.15	5,276,665.41
Increase in Net Position	<u>\$ 300,300.68</u>	<u>\$ 1,647,992.12</u>	<u>\$ (1,347,691.44)</u>

Operating Revenues

The major components of operating revenues are as follows: net student tuition and fees; state and local operating grants and contracts; sales and services revenue; and other operating revenues. Total operating revenues decreased \$247,843.36 for the year ended June 30, 2025

primarily due to small increases in tuition discounts and allowances for uncollectible accounts, both of which reduce net student tuition and fees.



Operating Expenses

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

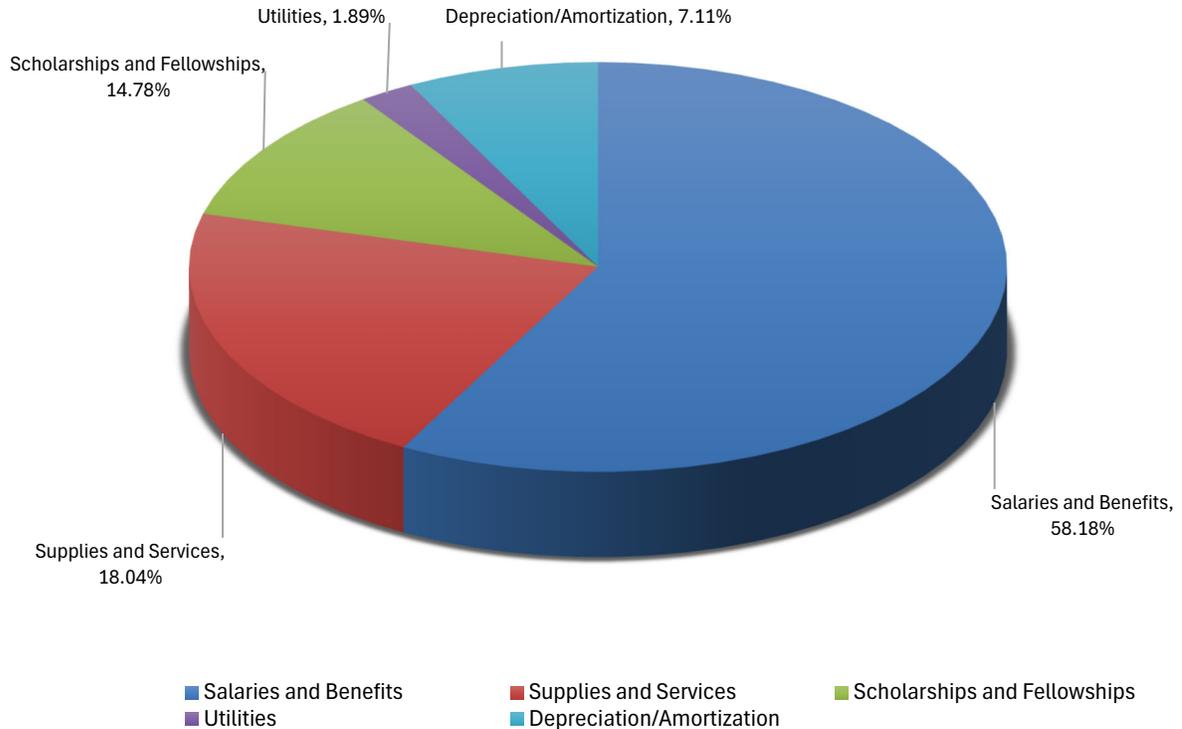
Operating expenses increased \$5,276,665.41 in the fiscal year ended June 30, 2025 when compared to the prior year. The increase is due primarily to the following:

- Salaries and benefits increased \$689,988.49 primarily as the result of a legislative salary increase of 3% and a net increase in pension and OPEB expenses.
- Supplies and services increased \$1,633,410.08 primarily as the result of expenditures for repairs and maintenance projects such as roof repairs and replacements, replacement of chillers, and replacing carpet and ceiling tiles.
- Scholarships and fellowships increased \$2,750,139.50 primarily as the result of the following:
 - On October 24, 2024, the North Carolina General Assembly enacted Session Law 2024-53, the Disaster Recovery Act of 2024 – Part II (Act). The Act applied to the North Carolina counties designated under a major disaster declaration by the

President of the United States as a result of Hurricane Helene. The Act provided \$1,770,500.00 for emergency grants to students.

- Brighter Future scholarships decreased due to the scholarship reaching its conclusion in the prior fiscal year.
- Pell grants increased due to a change in the federal methodology for determining eligibility. As a result, more students qualified for aid.

FY 2024-25 Operating Expenses



Nonoperating Revenues

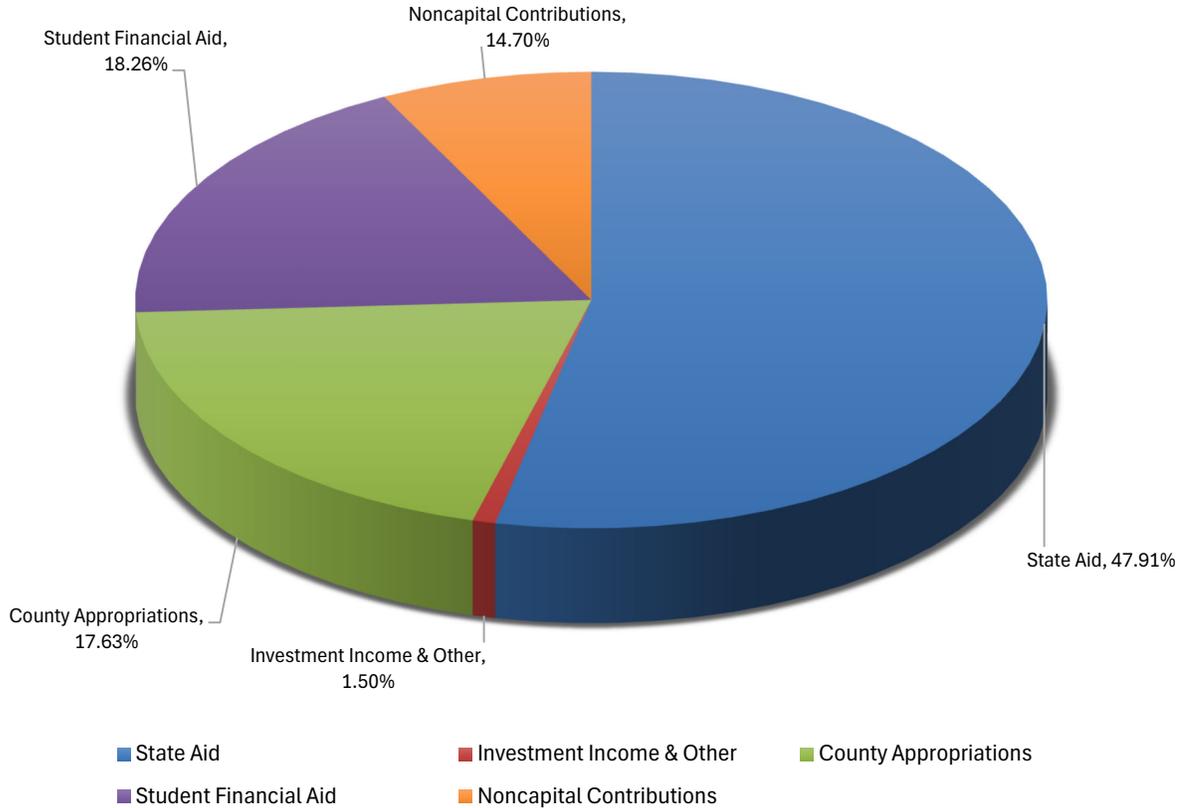
Total nonoperating revenues increased \$6,538,440.78 in the fiscal year ended June 30, 2025, when compared to the prior year. The increase is due primarily to the following:

- State aid increased \$1,111,863.68 primarily due to a carryforward of unspent categorical funding from the year ended June 30, 2024, and to accommodate a 3% legislative salary increase. Additionally, the College received \$400,000.00 to expand its emergency services program.
- Appropriations from Henderson County increased \$250,000.00 in response to an increase in the College’s operating budget.
- Student financial aid increased \$1,708,236.48 primarily due to an increase in Pell grants, as discussed previously.
- Noncapital contributions increased \$2,910,457.75 primarily due to the receipt of \$1,770,500.00 in Hurricane Helene emergency grants for students, an increase in federal pass-through grants received from the North Carolina Community College System Office,

a new grant received from the National Center for Construction Education and Research (NCCER) to support construction-related programs, an increase in Foundation scholarships, and an increase in federal workforce development funds.

- Investment income and other revenue increased \$524,787.89 primarily due to moving some of the College's institutional and county cash reserves from a non-interest-bearing account to the State Treasurer's Short-Term Investment Fund, as well as insurance recoveries from Hurricane Helene for tree removal, fencing, and roof repairs.

FY 2024-25 Nonoperating Revenues



Capital Aid and Contributions

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

Capital aid and contributions decreased \$2,361,623.45. In the prior year, the College received a non-recurring \$2,340,000.00 directed grant from the North Carolina General Assembly for capital improvements. State capital aid decreased \$512,719.30 due to not receiving any additional Rural College Broadband Access funding in the current year.

Economic Forecast

The College's financial health is shaped by several key factors, including state, federal, and county support, student enrollment levels, and the availability of financial aid for students. Together, these elements directly influence the College's ability to fulfill its mission and maintain a strong financial foundation.

State Support and Enrollment Trends

The State of North Carolina provides the majority of the College's funding through its formula budget based on full-time equivalent (FTE) enrollment. Because enrollment is the primary driver of state appropriations, fluctuations in student numbers significantly impact financial planning.

For the fall of 2024, the College experienced a 5.48% decline in FTE enrollment compared to fall 2023. Similarly, spring 2025 enrollment decreased by 1.35% compared to spring 2024. In response, the College continues to prioritize recruitment and retention efforts by investing in marketing, strengthening high school partnerships, and expanding programs in emerging workforce sectors where job growth is projected. These strategies are designed to support enrollment growth while aligning with regional workforce needs.

County Support

County aid remains strong, with ongoing support from both the Henderson County and Transylvania County Boards of Commissioners. This local funding is essential to maintaining and enhancing campus facilities. Notably, the College is working with Henderson County to plan for the construction of a new facilities building. The level of county support continues to play a vital role in advancing the College's mission and ensuring safe, modern, and effective learning environments.

Grants and External Resources

In addition to state and county appropriations, the College actively pursues grants and external resources to strengthen its financial position and expand program offerings.

- In July 2025, the College received a \$500,000.00 grant from the Lowe's Foundation to rebuild and expand skilled trades in a region impacted by natural disaster.
- In February 2025, the College was awarded a \$250,174.00 grant from the NCCER to support recruitment, training, and employment of craft professionals with foundational and specialized construction skills.

These grants enhance the College's ability to respond to workforce needs and provide students with pathways to immediate, high-demand employment opportunities.

Financial Management and Outlook

Through careful fiscal stewardship, the College has maintained a strong financial position. Sound financial practices ensure the College remains within budget while still investing in students and

community priorities. If necessary, adjustments to staffing or operations will be made to preserve financial stability.

The College remains well-positioned to advance its mission through strategic enrollment initiatives, strong county partnerships, external funding opportunities, and disciplined fiscal management. Together, these efforts support both the College's long-term sustainability and its ability to serve the region's educational and workforce needs.



Financial Statements

Blue Ridge Community College
Statement of Net Position
June 30, 2025

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 6,235,193.90
Restricted Cash and Cash Equivalents	1,006,080.93
Receivables, Net (Note 5)	265,760.36
Inventories	106,048.74
Prepaid Items	1,039,664.23
Notes Receivable, Net (Note 5)	298.63
	<hr/>
Total Current Assets	8,653,046.79

Noncurrent Assets:

Restricted Cash and Cash Equivalents	4,152,267.17
Net Other Postemployment Benefits Asset	22,521.00
Capital Assets - Nondepreciable (Note 6)	2,060,226.90
Capital Assets - Depreciable, Net (Note 6)	64,099,243.58
	<hr/>
Total Noncurrent Assets	70,334,258.65
	<hr/>
Total Assets	78,987,305.44

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	5,893,117.00
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	6,995,087.00
	<hr/>
Total Deferred Outflows of Resources	12,888,204.00

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	655,987.51
Unearned Revenue	352,645.47
Funds Held for Others	88,413.95
Long-Term Liabilities - Current Portion (Note 8)	259,941.46
	<hr/>
Total Current Liabilities	1,356,988.39

Noncurrent Liabilities:

Long-Term Liabilities (Note 8)	32,651,713.92
	<hr/>
Total Liabilities	34,008,702.31

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	34,401.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	2,681,618.00
	<hr/>
Total Deferred Inflows of Resources	2,716,019.00

Blue Ridge Community College
Statement of Net Position
June 30, 2025

Exhibit A-1
Page 2 of 2

NET POSITION

Net Investment in Capital Assets	65,886,468.48
Restricted:	
Nonexpendable:	
Loans	1,500.00
Expendable:	
Student Financial Aid	125,714.99
Loans	13,788.47
Specific Programs	976,909.26
Capital Projects	4,144,011.13
Other	187,626.15
	<hr/>
Total Restricted-Expendable Net Position	5,448,050.00
	<hr/>
Unrestricted	(16,185,230.35)
	<hr/>
Total Net Position	<u><u>\$ 55,150,788.13</u></u>

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

Blue Ridge Community College
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2025

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 11)	\$ 2,234,146.08
State and Local Grants and Contracts	309,205.00
Sales and Services	233,560.97
Other Operating Revenues	109,568.58
	<hr/>
Total Operating Revenues	2,886,480.63
	<hr/>

OPERATING EXPENSES

Salaries and Benefits	24,299,413.10
Supplies and Services	7,536,268.51
Scholarships and Fellowships	6,173,402.40
Utilities	788,180.24
Depreciation/Amortization	2,971,345.31
	<hr/>
Total Operating Expenses	41,768,609.56
	<hr/>
Operating Loss	(38,882,128.93)
	<hr/>

NONOPERATING REVENUES

State Aid	17,494,471.68
County Appropriations	6,438,414.00
Student Financial Aid	6,666,128.25
Noncapital Contributions	5,367,630.33
Investment Income	307,876.62
Other Nonoperating Revenues	238,859.37
	<hr/>
Total Nonoperating Revenues	36,513,380.25
	<hr/>
Loss Before Other Revenues	(2,368,748.68)
	<hr/>

State Capital Aid	1,191,787.66
County Capital Aid	200,267.00
Capital Contributions	1,276,994.70
	<hr/>
Total Other Revenues	2,669,049.36
	<hr/>
Increase in Net Position	300,300.68

NET POSITION

Net Position - July 1, 2024	54,850,487.45
	<hr/>
Net Position - June 30, 2025	\$ 55,150,788.13
	<hr/> <hr/>

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

Blue Ridge Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 2,826,757.11
Payments to Employees and Fringe Benefits	(23,731,265.05)
Payments to Vendors and Suppliers	(9,014,601.67)
Payments for Scholarships and Fellowships	(6,173,402.40)
Collection of Loans to Students	267.56
Other Receipts	359,720.81
	<hr/>
Net Cash Used by Operating Activities	(35,732,523.64)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid	17,494,471.68
County Appropriations	6,438,414.00
Student Financial Aid	6,666,128.25
Noncapital Contributions	5,361,467.33
	<hr/>
Total Cash Provided by Noncapital Financing Activities	35,960,481.26

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

State Capital Aid	1,952,298.29
County Capital Aid	200,267.00
Capital Contributions	1,276,994.70
Proceeds from Sale of Capital Assets	300,000.00
Acquisition and Construction of Capital Assets	(2,075,189.00)
Principal Paid on Lease/Subscription Liabilities	(179,120.00)
Interest and Fees Paid on Lease/Subscription Liabilities	(20,698.00)
	<hr/>
Net Cash Provided by Capital Financing and Related Financing Activities	1,454,552.99

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	307,876.62
	<hr/>
Net Increase in Cash and Cash Equivalents	1,990,387.23
Cash and Cash Equivalents - July 1, 2024	9,403,154.77
	<hr/>
Cash and Cash Equivalents - June 30, 2025	\$ 11,393,542.00

Blue Ridge Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (38,882,128.93)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	2,971,345.31
Other Nonoperating Income	384,006.39
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	121,978.09
Inventories	10,074.97
Notes Receivable, Net	(49,129.97)
Beneficial Interest in Assets Held by Others	267.56
Net Other Postemployment Benefits Asset	(22,521.00)
Deferred Outflows Related to Pensions	2,240,542.00
Deferred Outflows Related to Other Postemployment Benefits	(3,064,675.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(651,101.92)
Unearned Revenue	(69,808.61)
Funds Held for Others	(24,285.58)
Net Pension Liability	(1,245,422.00)
Net Other Postemployment Benefits Liability	4,527,710.00
Compensated Absences	(144,730.95)
Deferred Inflows Related to Pensions	(140,777.00)
Deferred Inflows Related to Other Postemployment Benefits	(1,693,867.00)
Net Cash Used by Operating Activities	<u>\$ (35,732,523.64)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$ 225,173.00
Loss on Disposal of Capital Assets	(124,449.02)
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(6,163.00)

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

Blue Ridge Community College Educational Foundation, Inc.
Statement of Financial Position
June 30, 2025

Exhibit B-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 227,797
Promises to Give	511,956
Other Receivables	2,387
Asset Available-for-Sale	16,656
Prepaid Expenses	<u>10,356</u>

Total Current Assets	<u>769,152</u>
----------------------	----------------

Investments	<u>20,092,380</u>
-------------	-------------------

Total Assets	<u><u>\$ 20,861,532</u></u>
--------------	-----------------------------

LIABILITIES

Current Liabilities:

Accounts Payable	<u>\$ 1,801</u>
------------------	-----------------

NET ASSETS

Without Donor Restrictions	1,995,282
----------------------------	-----------

With Donor Restrictions	<u>18,864,449</u>
-------------------------	-------------------

Total Net Assets	<u>20,859,731</u>
------------------	-------------------

Total Liabilities and Net Assets	<u><u>\$ 20,861,532</u></u>
----------------------------------	-----------------------------

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

Blue Ridge Community College Educational Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2025

Exhibit B-2

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES			
Contributions	\$ 117,981	\$ 1,395,929	\$ 1,513,910
In-Kind Contributions	352,490	-	352,490
Grant Income	-	1,077,084	1,077,084
Investment Income, Net	148,456	449,424	597,880
Net Gains on Investments	193,442	1,161,732	1,355,174
Other Income	307	-	307
Net Assets Released From Restrictions	1,883,882	(1,883,882)	-
Total Public Support and Revenues	<u>2,696,558</u>	<u>2,200,287</u>	<u>4,896,845</u>
EXPENSES			
Program Services	2,076,225	-	2,076,225
Supporting Services	181,335	-	181,335
Total Expenses	<u>2,257,560</u>	<u>-</u>	<u>2,257,560</u>
Change in Net Assets	438,998	2,200,287	2,639,285
NET ASSETS			
Net Assets at Beginning of Year	<u>1,556,284</u>	<u>16,664,162</u>	<u>18,220,446</u>
Net Assets at End of Year	<u>\$ 1,995,282</u>	<u>\$ 18,864,449</u>	<u>\$ 20,859,731</u>

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



Notes to the Financial Statements

Note 1 - Significant Accounting Policies

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

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

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

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 20 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2025, the Foundation distributed \$1,849,035.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained by calling 828-694-1710.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (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, and GASB Statement No. 84, *Fiduciary Activities*, the full scope of the College’s activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

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

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

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

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

F. Inventories - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.

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

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. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year but are individually below the \$5,000 threshold are capitalized if significant.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets in the following manner:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10-100 years
Machinery and Equipment	2-30 years
Art, Literature, and Artifacts	2-25 years
General Infrastructure	10-75 years

Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease liabilities are capitalized as a right-to-use asset when the underlying leased asset has a cost of \$10,000 or greater and an estimated useful life of more than one year. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of \$25,000 or greater and an estimated useful life of more than one year.

Amortization for right-to-use leased and subscription assets is computed using the straight-line method over the shorter of the lease/subscription term or the underlying asset's estimated useful life. If a lease agreement contains a purchase option the College is reasonably certain will be exercised, the right-to-use leased asset is amortized over the asset's estimated useful life.

- H. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources whose use is limited by external parties or statute, and endowment deposits.
- I. Accounting and Reporting of Fiduciary Activities** - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.

There are no other trust or custodial funds meeting the criteria of a fiduciary activity that are required to be reported in separate fiduciary fund financial statements.

- J. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include lease liabilities, subscription liabilities, compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2024 *Annual Comprehensive 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 13 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 2024 *Annual Comprehensive 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 14 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

- K. Compensated Absences** - The College accrues a liability for earned leave that carries over to future periods and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. When determining the liability, leave is considered taken on a last in, first out (LIFO) basis.

Vacation Leave – Leave policies vary by employee group. For employees exempt from the State Human Resource Act, vacation is earned through the annual or personal leave programs established by the State Board of Community Colleges. Leave is earned monthly and is subject to a maximum accumulated unused amount as of the end of each calendar year. The maximum amounts and the ability to convert amounts over the maximum to sick leave vary based on the program.

Bonus Leave – Bonus leave includes the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred to the next fiscal year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

Sick Leave – Sick leave is earned monthly by eligible employees. The policy provides for the accumulation of unused sick leave to be carried forward until used. When employment is terminated, unused leave is forfeited or used to increase a member's creditable service for employees participating in the North Carolina Teachers' and State Employees' Retirement System (TSERS). Based on a historical analysis of sick leave taken compared to sick leave earned, the liability for unused sick leave using the LIFO method was determined to be insignificant. Therefore, no sick leave liability is recognized on the financial statements.

- L. Deferred Outflows/Inflows of Resources** - Deferred outflows of resources represent a consumption of net assets 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 represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

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

Net Investment in Capital Assets - This represents the College's total investment in capital assets, net of outstanding liabilities related to those capital assets.

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

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

Unrestricted Net Position - Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income. It also includes the net position of accrued employee benefits such as compensated absences, pension plans, and other postemployment benefits.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 10 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

- N. Scholarship Discounts** - Student tuition and fees revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.
- O. Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, state, and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.
- Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.
- P. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as printing and copying services. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- Q. 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, to supplement the salaries of full-time faculty whose job responsibilities are at least 50% directly involved in the delivery of instruction, and to supplement the salaries of direct reports to the College President (excluding the Executive Director of the Foundation and the Director of Marketing and Communications). 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

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, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling \$2,050.00, and deposits in private financial institutions with a carrying value of \$4,121,549.43 and a bank balance of \$4,603,850.11.

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, 2025, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

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

At June 30, 2025, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$7,269,942.57, which represents the College’s equity position in the State Treasurer’s Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 2.1 years as of June 30, 2025. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer’s Investment Pool (which includes the State Treasurer’s STIF) are included in the North Carolina Department of State Treasurer Investment Programs’ separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer’s website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

Component Unit - Investments of the College’s discretely presented component unit, the Foundation, are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

<u>At June 30, 2025</u>	<u>Amount</u>
Cash and Money Market Funds	\$ 2,503,315
Common Stock	5,967,205
Mutual Funds	1,946,775
Exchange Traded Funds	843,274
Corporate Bonds	948,518
Government Bonds	2,124,566
Mutual Funds	2,114,037
Mortgage-backed Securities	59,672
Real Estate Investment Trusts	88,088
Real Asset Funds	1,827,478
Alternate Investments	1,669,452
Total Investments	\$ 20,092,380

Note 3 - Fair Value Measurements

College - To the extent available, the College’s investments are recorded at fair value as of June 30, 2025. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

- | | |
|---------|---|
| Level 1 | Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date. |
| Level 2 | Investments with inputs - other than quoted prices included within Level 1 - that are observable for an asset, either directly or indirectly. |
| Level 3 | Investments classified as Level 3 have unobservable inputs and may require a degree of professional judgment. |

Short-Term Investment Fund - At year-end, all of the College's investments valued at \$7,269,942.57 were held in the STIF. Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The College's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Component Unit - Investments are recorded in the Foundation's financial statements at estimated fair value in accordance with the fair value hierarchy. The Foundation's interests in alternative investment funds, such as hedge funds, are generally reported at the net asset value (NAV) reported by fund managers. NAV is used as a practical expedient to estimate fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2025, the Foundation had no plans to sell investments at amounts different from NAV. In accordance with U.S. GAAP, funds are measured using NAV as a practical expedient to estimate fair value are not assigned a level within the fair value hierarchy.

Fair values of investments are determined as follows:

Cash and Money Market Funds

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

Equity Investments

Equity investments consist of corporate stocks, daily traded mutual funds, daily traded alternative mutual funds, and exchange traded funds. These investments are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied. Corporate stocks that are traded in inactive markets are categorized as Level 2.

Debt Investments

Debt investments consist of corporate bonds, U.S. government obligations, debt-based mutual funds, and mortgage-backed securities. Debt-based mutual funds, which are actively traded, are categorized as Level 1. All other investments in debt securities are valued based on quoted market prices in active markets and are categorized as Level 2.

Real Assets

Real assets consist of investments in real estate investment trusts (REITs) and other real asset funds which own and operate income-producing real estate or buy and sell real estate and other real assets funds. These investments are actively traded and categorized as Level 1.

Alternative Investments

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

The following table sets forth carrying amounts and estimated fair values for investments as of June 30, 2025:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and Money Market Funds	\$ 2,503,315	\$ 2,503,315	\$ -	\$ -
Equity Investments:				
Common Stock	5,967,205	5,967,205	-	-
Mutual Funds	1,946,775	1,946,775	-	-
Exchange-Traded Funds	843,274	843,274	-	-
Debt Investments:				
Corporate Bonds	948,518	-	948,518	-
Government Bonds	2,124,566	-	2,124,566	-
Mutual Funds	2,114,037	2,114,037	-	-
Mortgage-Backed Securities	59,672	-	59,672	-
Real Assets:				
REITs	88,088	88,088	-	-
Real Asset Funds	1,827,478	1,827,478	-	-
Total Investments in the Fair Value Hierarchy	<u>18,422,928</u>	<u>\$ 15,290,172</u>	<u>\$ 3,132,756</u>	<u>\$ -</u>
Alternative Investments Measured at NAV as a Practical Expedient	<u>1,669,452</u>			
Total Investments	<u>\$ 20,092,380</u>			

Note 4 - Donor Restricted Endowments

The College's endowment assets are pooled with state agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as noncurrent restricted cash and cash equivalents on the accompanying financial statements. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2025, net appreciation of \$1,828.64 was available to be spent, all of which was classified in net position as restricted expendable for student financial aid as it is restricted for specific purposes.

Notes to the Financial Statements

Note 5 - Receivables

Receivables at June 30, 2025, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 274,373.73	\$ 192,789.12	\$ 81,584.61
Student Sponsors	12,883.52	1,829.85	11,053.67
Intergovernmental	162,923.15	-	162,923.15
Other	10,198.93	-	10,198.93
Total Current Receivables	<u>\$ 460,379.33</u>	<u>\$ 194,618.97</u>	<u>\$ 265,760.36</u>
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	<u>\$ 1,000.00</u>	<u>\$ 701.37</u>	<u>\$ 298.63</u>

Note 6 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2025, is presented as follows:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital Assets, Nondepreciable:				
Land	\$ 2,360,226.90	\$ -	\$ 300,000.00	\$ 2,060,226.90
Construction in Progress	1,033,519.66	669,263.55	1,702,783.21	-
Total Capital Assets, Nondepreciable	<u>3,393,746.56</u>	<u>669,263.55</u>	<u>2,002,783.21</u>	<u>2,060,226.90</u>
Capital Assets, Depreciable:				
Buildings	80,861,337.03	1,702,783.21	-	82,564,120.24
Machinery and Equipment	13,368,286.56	1,405,925.45	398,301.54	14,375,910.47
Art, Literature, and Artifacts	63,006.25	-	-	63,006.25
General Infrastructure	2,089,430.95	-	-	2,089,430.95
Right-to-Use Leased Machinery and Equipment	-	225,173.00	-	225,173.00
Right-to-Use Subscription Assets	431,838.00	-	-	431,838.00
Total Capital Assets, Depreciable	<u>96,813,898.79</u>	<u>3,333,881.66</u>	<u>398,301.54</u>	<u>99,749,478.91</u>
Less Accumulated Depreciation/Amortization for:				
Buildings	25,230,371.44	1,775,504.89	-	27,005,876.33
Machinery and Equipment	6,413,260.13	965,399.63	273,852.52	7,104,807.24
Art, Literature, and Artifacts	35,477.82	2,520.25	-	37,998.07
General Infrastructure	1,053,243.15	46,638.54	-	1,099,881.69
Right-to-Use Leased Machinery and Equipment	-	75,058.00	-	75,058.00
Right-to-Use Subscription Assets	220,390.00	106,224.00	-	326,614.00
Total Accumulated Depreciation/Amortization	<u>32,952,742.54</u>	<u>2,971,345.31</u>	<u>273,852.52</u>	<u>35,650,235.33</u>
Total Capital Assets, Depreciable, Net	<u>63,861,156.25</u>	<u>362,536.35</u>	<u>124,449.02</u>	<u>64,099,243.58</u>
Capital Assets, Net	<u>\$ 67,254,902.81</u>	<u>\$ 1,031,799.90</u>	<u>\$ 2,127,232.23</u>	<u>\$ 66,159,470.48</u>

The capital assets schedule above includes the following:

- Land and a building in the amount of \$12,935,470.80 for which the College does not hold title. On December 1, 2016, the College executed a Special Warranty Deed conveying 3.33 acres to Henderson County for the purpose of constructing the Innovative High School. In order for Henderson County to obtain the financing needed to provide the resources for the Innovative High School, the College transferred title for the land to Henderson County for use as collateral until the debt is satisfied in fiscal year 2037, at which time the College takes title to the Innovative High School and the title reverts back to the College.
- Land and building in the amount of \$23,781,147.68 for which the College does not hold title. On November 1, 2019, the College executed a Special Warranty Deed conveying 6.81 acres to Henderson County for the purpose of acquiring, constructing, and equipping a new Arts, Sciences, and General Studies Center and Police Officers’ Physical Ability Training Center as well as refurbishment of existing College buildings. This deed was necessary for Henderson County to obtain financing and will be used as collateral until the debt is satisfied in fiscal year 2040, at which time the title reverts back to the College.

Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2025, were as follows:

	<u>Amount</u>
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 156,403.80
Accrued Payroll	475,005.15
Other	<u>24,578.56</u>
Total Current Accounts Payable and Accrued Liabilities	<u>\$ 655,987.51</u>

Note 8 - Long-Term Liabilities

A summary of changes in the long-term liabilities for the year ended June 30, 2025, is presented as follows:

	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Current</u> <u>Portion</u>
Lease Liabilities	\$ -	\$ 225,173.00	\$ 70,028.00	\$ 155,145.00	\$ 78,791.00
Subscription (SBITA) Liabilities	226,949.00	-	109,092.00	117,857.00	77,047.00
Compensated Absences	889,793.33	781,881.85	926,612.80	745,062.38	104,103.46
Net Pension Liability	12,882,441.00	-	1,245,422.00	11,637,019.00	-
Net Other Postemployment Benefits Liability	15,735,025.00	4,521,547.00	-	20,256,572.00	-
Total Long-Term Liabilities	<u>\$ 29,734,208.33</u>	<u>\$ 5,528,601.85</u>	<u>\$ 2,351,154.80</u>	<u>\$ 32,911,655.38</u>	<u>\$ 259,941.46</u>

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 9.

Additional information regarding the net pension liability is included in Note 13.

Additional information regarding the net other postemployment benefits liability is included in Note 14.

Note 9 - Leases and Subscription-Based Information Technology Arrangements

A. Lessee Arrangements - The College has lease agreements for the right to use a production printer and multi-function devices from external parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. The expected payments are discounted using the interest rate stated per the lease contract, or the College's estimated incremental borrowing rate if there is no stated contractual interest rate.

During the year the College did not recognize any variable payment amounts.

The College's lessee arrangements at June 30, 2025, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2025	Current Portion	Lease Terms ⁽¹⁾	Interest Rate Ranges
Lessee:					
Right-to-Use Leased Machinery and Equipment	3	\$ 155,145.00	\$ 78,791.00	2 Years	6.26% - 8.50%

(1) The lease terms were calculated using weighted averages based on lease payable amounts.

B. Subscription-Based Information Technology Arrangements (SBITAs) - The College enters SBITAs for the right to use information technology software from external parties. The SBITAs expire at various dates, and some have renewal options. Subscription liabilities and the related right-to-use subscription assets are recorded based on the present value of expected payments over the term of the respective SBITA. The expected payments are discounted using the interest rate stated per the SBITA contract, or the College's estimated incremental borrowing rate if there is no stated contractual interest rate.

During the year the College did not recognize any variable payment amounts.

The College's SBITAs at June 30, 2025, are summarized below (excluding short-term SBITAs):

SBITA	Number of SBITAs	Subscription Liabilities June 30, 2025	Current Portion	SBITA Terms	Interest Rate Ranges
Right-to-Use Subscription Assets	4	\$ 117,857.00	\$ 77,047.00	2 Years	8.25% - 8.50%

C. Annual Requirements - The annual requirements to pay principal and interest on leases and SBITAs at June 30, 2025, are as follows:

Fiscal Year	Annual Requirements			
	Lease Liabilities		SBITA Liabilities	
	Principal	Interest	Principal	Interest
2026	\$ 78,791.00	\$ 4,513.00	\$ 77,047.00	\$ 7,307.00
2027	76,354.00	1,306.00	40,810.00	2,244.00
Total Requirements	\$ 155,145.00	\$ 5,819.00	\$ 117,857.00	\$ 9,551.00

Note 10 - 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:

	<u>Amount</u>
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (5,778,303.00)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(15,950,540.00)</u>
Effect on Unrestricted Net Position	(21,728,843.00)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	<u>5,543,612.65</u>
Total Unrestricted Net Position	<u>\$ (16,185,230.35)</u>

See Notes 13 and 14 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

Note 11 - Revenues

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

	<u>Gross Revenues</u>	<u>Less Scholarship Discounts and Allowances</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$ 4,575,840.51</u>	<u>\$ 2,146,374.09</u>	<u>\$ 195,320.34</u>	<u>\$ 2,234,146.08</u>

Note 12 - Operating Expenses by Function

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

	<u>Salaries and Benefits</u>	<u>Supplies and Services</u>	<u>Scholarships and Fellowships</u>	<u>Utilities</u>	<u>Depreciation/Amortization</u>	<u>Total</u>
Instruction	\$ 13,272,411.02	\$ 1,978,872.82	\$ -	\$ -	\$ -	\$ 15,251,283.84
Academic Support	2,474,442.83	121,146.11	-	-	-	2,595,588.94
Student Services	2,433,665.06	483,612.07	-	-	-	2,917,277.13
Institutional Support	4,801,447.43	2,147,958.99	-	-	-	6,949,406.42
Operations and Maintenance of Plant	1,300,458.02	2,739,796.97	-	788,180.24	-	4,828,435.23
Student Financial Aid	8,862.54	20,941.70	6,173,402.40	-	-	6,203,206.64
Auxiliary Enterprises	8,126.20	43,939.85	-	-	-	52,066.05
Depreciation/Amortization	-	-	-	-	2,971,345.31	2,971,345.31
Total Operating Expenses	<u>\$ 24,299,413.10</u>	<u>\$ 7,536,268.51</u>	<u>\$ 6,173,402.40</u>	<u>\$ 788,180.24</u>	<u>\$ 2,971,345.31</u>	<u>\$ 41,768,609.56</u>

Note 13 - Retirement Plans

Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, LEAs, and certain proprietary component units along with charter schools that elect to join the Retirement System. Effective January 1, 2024, new employees hired by UNC Health Care or by certain components of East Carolina University, who were not actively contributing to TSERS immediately before they were hired by those entities, are not eligible to join TSERS. 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 unreduced retirement benefits at age 65 with five years of membership 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 reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership 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 in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members 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 and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The College's contractually-required contribution rate for the year ended June 30, 2025 was 16.79% of covered payroll. Plan members' contributions to the pension plan were \$880,021.55, and the College's contributions were \$2,462,593.63 for the year ended June 30, 2025.

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 2024 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller’s website at <https://www.ncosc.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 are 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 participate in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2024 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2025, the College reported a liability of \$11,637,019.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total pension liability to June 30, 2024. The College’s proportion of the net pension liability was based on a projection of the present value of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the College’s proportion was 0.07854%, which was an increase of 0.00127 from its proportion measured as of June 30, 2023, which was 0.07727%.

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	12/31/2023
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% inflation and productivity

** 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. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

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, 2024 (the measurement date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2023 valuation. The 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, 2024 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

Net Pension Liability		
Current		
1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$ 21,346,820.93	\$ 11,637,019.00	\$ 3,629,864.33

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2025, the College recognized pension expense of \$3,428,863.00. At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to TSERS 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	\$ 1,048,697.00	\$ 34,401.00
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,918,889.00	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	462,937.37	-
Contributions Subsequent to the Measurement Date	2,462,593.63	-
Total	\$ 5,893,117.00	\$ 34,401.00

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS 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 Ending June 30:	Amount
2026	\$ 1,172,343.00
2027	2,478,810.00
2028	(49,626.00)
2029	(205,404.63)
Total	\$ 3,396,122.37

Note 14 - 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 2024 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.ncosc.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 other postemployment benefits (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 benefit 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 is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2024 *Annual Comprehensive Financial Report*.

B. Plan Descriptions

1. Health Benefits

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

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the

State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

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

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 15. The plan options change when the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

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 (CJRS), the Legislative Retirement System (LRS), the University Employees' 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. 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 five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

Section 35.21 (c) & (d) of Session Law 2017-57 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical

benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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 Act. The College's contractually-required contribution rate for the year ended June 30, 2025 was 6.99% of covered payroll. The College's contributions to the RHBF were \$1,025,225.10 for the year ended June 30, 2025.

In fiscal year 2023, the Plan transferred \$35 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2025, the College recognized noncapital contributions for RHBF of \$6,163.00.

2. Disability Income

Plan Administration: As discussed in Note 15, 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 and LEAs which are not part of the State's 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, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. 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 becoming disabled 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. A general 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; (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, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, 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, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the North Carolina General Assembly and coincide with the State's fiscal year. The College's contractually-required contribution rate for the year ended June 30, 2025 was 0.13% of covered payroll. The College's contributions to DIPNC were \$19,067.13 for the year ended June 30, 2025.

C. Net OPEB Liability (Asset)

Retiree Health Benefit Fund: At June 30, 2025, the College reported a liability of \$20,256,572.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability to June 30, 2024. The College's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the College's proportion was 0.05956%, which was an increase of 0.00058 from its proportion measured as of June 30, 2023, which was 0.05898%.

Notes to the Financial Statements

Disability Income Plan of North Carolina: At June 30, 2025, the College reported an asset of \$22,521.00 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability to June 30, 2024. The College's proportion of the net OPEB asset was based on a projection of the present value of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the College's proportion was 0.06840%, which was an increase of 0.00033 from its proportion measured as of June 30, 2023, which was 0.06807%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2023, 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, 2024 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2023	12/31/2023
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
Healthcare Cost Trend Rate - Medical***	6.5% grading down to 5% by 2030	N/A
Healthcare Cost Trend Rate - Prescription Drug***	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	7% through 2030 grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	Premium adjustments for IRA impact through 2027, 6.17% in 2028 down to 5% by 2034	N/A
Healthcare Cost Trend Rate - Administrative***	3.0%	N/A

* Salary increases include 3.25% inflation and productivity factor.

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

*** Disability Income Plan of NC eliminated employer reimbursements from the Plan (which included State Health Plan premiums) effective July 1, 2019.

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e., teacher, other educational employee, general employee, or law enforcement officer) and health status (i.e., disabled or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan 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 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. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2024.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2024 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

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. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. 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 the historical pattern of sharing of benefit costs between the employer and plan members to that point. The RHBF is funded solely by employer contributions and 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, 2023 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as 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 3.93% at June 30, 2024 compared to 3.65% at June 30, 2023. The projection of cash flow used to determine the discount rate assumed that contributions from employers would 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 to current plan members. As a result, a municipal bond rate of 3.93% was used as the discount rate used to measure the total OPEB liability. The 3.93% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00% at June 30, 2024 and at June 30, 2023. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would 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 to the current plan members.

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 each 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 (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
RHBF	\$ 24,101,565.21	\$ 20,256,572.00	\$ 17,171,696.55
	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	\$ (20,081.56)	\$ (22,521.00)	\$ (25,075.70)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the plans, as well as what the plans' net OPEB liability 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			
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 4% - 5.17%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 5% - 6.17%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 6% - 7.17%, Administrative - 4%)
RHBF	\$ 16,721,440.82	\$ 20,256,572.00	\$ 24,836,922.03

The sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

OPEB Expense: For the fiscal year ended June 30, 2025, the College recognized OPEB expense as follows:

<u>OPEB Plan</u>	<u>Amount</u>
RHBF	\$ 779,836.00
DIPNC	11,099.00
Total OPEB Expense	<u>\$ 790,935.00</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2025, 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:**

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 165,103.00	\$ 9,079.00	\$ 174,182.00
Changes of Assumptions	4,878,610.00	336.00	4,878,946.00
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	86,803.00	17,681.00	104,484.00
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	791,333.90	1,848.87	793,182.77
Contributions Subsequent to the Measurement Date	<u>1,025,225.10</u>	<u>19,067.13</u>	<u>1,044,292.23</u>
Total	<u>\$ 6,947,075.00</u>	<u>\$ 48,012.00</u>	<u>\$ 6,995,087.00</u>

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ -	\$ 25,904.00	\$ 25,904.00
Changes of Assumptions	2,641,043.00	10,493.00	2,651,536.00
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	-	4,178.00	4,178.00
Total	<u>\$ 2,641,043.00</u>	<u>\$ 40,575.00</u>	<u>\$ 2,681,618.00</u>

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 ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as 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:**

<u>Year Ending June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2026	\$ 245,678.00	\$ (9,979.00)
2027	695,090.00	(6,651.00)
2028	1,325,519.00	2,503.00
2029	1,014,519.90	1,301.00
2030	-	1,195.87
Total	<u>\$ 3,280,806.90</u>	<u>\$ (11,630.13)</u>

Note 15 - Risk Management

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

A. Employee Benefit Plans

1. State Health Plan

College employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and

employee contributions. The Plan has contracted with third parties to process claims. See Note 14, 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 0.13% for the current fiscal year.

3. Disability Income Plan

Short-term and long-term disability benefits are provided to College employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the College for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 14, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the Office of State Fire Marshal within 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 Office of State Fire Marshal for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

Fire and other property losses are 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 \$5,000,000 in the aggregate per fiscal year via contract with private insurance companies. 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 who are paid from non-state funds is purchased from a private insurance company with coverage of \$100,000 per occurrence with a \$500 deductible.

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the College

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

Note 16 - 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 \$805,087.19 and on other purchases were \$174,436.46 at June 30, 2025.

Note 17 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2025, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 101, Compensated Absences

GASB Statement No. 102, Certain Risk Disclosures

GASB Statement No. 101 updates the recognition, measurement, and disclosure requirements for compensated absences. This Statement supersedes GASB Statement No. 16, *Accounting for Compensated Absences*, which was issued in 1992, and aims to better meet the information needs of financial statement users by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential

comparability issues between governments that offer different types of leave. Lastly, the model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

GASB Statement No. 102 improves financial reporting by providing users of financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.



Required Supplementary Information

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

Exhibit C-1

Teachers' and State Employees' Retirement System	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net Pension Liability	0.07854%	0.07727%	0.07223%	0.06563%	0.06912%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 11,637,019.00	\$ 12,882,441.00	\$ 10,720,549.00	\$ 3,073,191.00	\$ 8,351,076.00
Covered Payroll	\$ 14,224,204.13	\$ 12,987,802.14	\$ 11,685,338.00	\$ 10,594,990.00	\$ 10,673,147.00
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	81.81%	99.19%	91.74%	29.01%	78.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.35%	82.97%	84.14%	94.86%	85.98%
	2020	2019	2018	2017	2016
Proportionate Share Percentage of Collective Net Pension Liability	0.06459%	0.06571%	0.06637%	0.06316%	0.06144%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 6,696,018.00	\$ 6,542,146.00	\$ 5,266,088.00	\$ 5,805,056.00	\$ 2,264,186.00
Covered Payroll	\$ 10,562,109.00	\$ 10,370,638.00	\$ 10,358,103.00	\$ 9,833,125.00	\$ 9,500,692.00
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	63.40%	63.08%	50.84%	59.04%	23.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.56%	87.61%	89.51%	87.32%	94.64%

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 ended June 30.

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

Exhibit C-2

Teachers' and State Employees' Retirement System	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 2,462,593.63	\$ 2,509,149.61	\$ 2,257,280.01	\$ 1,914,058.00	\$ 1,565,939.52
Contributions in Relation to the Contractually Determined Contribution	2,462,593.63	2,509,149.61	2,257,280.01	1,914,058.00	1,565,939.52
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 14,667,025.78	\$ 14,224,203.13	\$ 12,987,802.14	\$ 11,685,338.00	\$ 10,594,990.00
Contributions as a Percentage of Covered Payroll	16.79%	17.64%	17.38%	16.38%	14.78%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 1,384,307.00	\$ 1,298,083.00	\$ 1,117,955.00	\$ 1,033,739.00	\$ 899,731.00
Contributions in Relation to the Contractually Determined Contribution	1,384,307.00	1,298,083.00	1,117,955.00	1,033,739.00	899,731.00
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 10,673,147.00	\$ 10,562,109.00	\$ 10,370,638.00	\$ 10,358,103.00	\$ 9,833,125.00
Contributions as a Percentage of Covered Payroll	12.97%	12.29%	10.78%	9.98%	9.15%

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

Blue Ridge Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2025

Changes of Benefit Terms:

Cost of Living Increase

Teachers' and State Employees' Retirement System	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	N/A	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Adjustments (COLA) in the period of the legislative session or Board of Trustees meeting when it was passed. The COLA is effective as of July 1 of that period and the fiscal year end plan liability is affected at June 30 of that year because the COLA is included in the actuarial assumptions used to calculate the plan net pension liability.

Effective July 1, 2017, the definition of law enforcement officer related to TSERS members was changed by the General Assembly to include Probation/Parole officers for retirement benefit purposes. The change includes officers with respect to service rendered on or after July 1, 2017, and provides for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at age 50 with 15 years of service as a law enforcement officer.

Effective July 1, 2017, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of July 1, 2016, received a 1% cost-of-living adjustment. Retirees and beneficiaries of retirees with retirement effective dates between July 1, 2016 and before June 30, 2017 received a prorated amount. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly.

In December 2021 for the fiscal year ended June 30, 2022, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of September 1, 2021, received a one-time cost-of-living supplement payment, equal to 2% of the beneficiary's annual retirement allowance.

Benefit recipients of the TSERS received a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in October 2022, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2023. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Benefit recipients of the TSERS will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in November 2023, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2024. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Effective January 1, 2024, new employees hired by UNC Health Care or by certain components of East Carolina University, who were not actively contributing to TSERS immediately before they were hired by those entities, are not eligible to join TSERS.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions : An actuarial valuation is performed for each year for the plan. 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. See Note 13 for more information on the specific assumptions for the 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 January 2021, the actuarial assumptions for the TSERS were updated to more closely reflect actual experience.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of the TSERS 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 the TSERS experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

The discount rate for the TSERS was lowered from 7.00% to 6.50% effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2024 *Annual Comprehensive Financial Report* .

N/A - Not Applicable

Blue Ridge Community College
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Nine Fiscal Years*

Exhibit C-3
Page 1 of 2

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net OPEB Liability	0.05956%	0.05898%	0.05859%	0.05851%	0.05622%
Proportionate Share of Collective Net OPEB Liability	\$ 20,256,572.00	\$ 15,716,921.00	\$ 13,913,952.00	\$ 18,088,145.00	\$ 15,596,746.00
Covered Payroll	\$ 14,224,204.00	\$ 12,987,802.14	\$ 11,685,338.00	\$ 10,594,990.00	\$ 10,673,147.00
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	142.41%	121.01%	119.07%	170.72%	146.13%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.79%	10.73%	10.58%	7.72%	6.92%
	2020	2019	2018	2017	
Proportionate Share Percentage of Collective Net OPEB Liability	0.05484%	0.05705%	0.05257%	0.05555%	
Proportionate Share of Collective Net OPEB Liability	\$ 17,349,694.00	\$ 16,251,303.00	\$ 17,236,632.00	\$ 24,166,138.00	
Covered Payroll	\$ 10,562,109.00	\$ 10,370,638.00	\$ 10,358,103.00	\$ 9,833,125.00	
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	164.26%	156.70%	166.41%	245.76%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	4.40%	3.52%	2.41%	

Blue Ridge Community College
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Nine Fiscal Years*

Exhibit C-3
Page 2 of 2

Disability Income Plan of North Carolina	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.06840%	0.06807%	0.06360%	0.05776%	0.06021%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (22,521.00)	\$ 18,104.00	\$ 18,920.00	\$ (9,435.00)	\$ (29,620.00)
Covered Payroll	\$ 14,224,204.00	\$ 12,987,802.14	\$ 11,685,338.00	\$ 10,594,990.00	\$ 10,673,147.00
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.16%	0.14%	0.16%	0.09%	0.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	114.99%	90.61%	90.34%	105.18%	115.57%
	2020	2019	2018	2017	
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.05611%	0.05706%	0.05773%	0.05534%	
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (24,211.00)	\$ (17,333.00)	\$ (35,285.00)	\$ (34,366.00)	
Covered Payroll	\$ 10,562,109.00	\$ 10,370,638.00	\$ 10,358,103.00	\$ 9,833,125.00	
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.23%	0.17%	0.34%	0.35%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 ended June 30.

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

**Exhibit C-4
Page 1 of 2**

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 1,025,225.10	\$ 1,015,608.17	\$ 894,860.00	\$ 735,008.00	\$ 707,745.33
Contributions in Relation to the Contractually Determined Contribution	1,025,225.10	1,015,608.17	894,860.00	735,008.00	707,745.33
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 14,667,025.78	\$ 14,224,204.00	\$ 12,987,802.14	\$ 11,685,338.00	\$ 10,594,990.00
Contributions as a Percentage of Covered Payroll	6.99%	7.14%	6.89%	6.29%	6.68%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 690,553.00	\$ 662,244.00	\$ 627,424.00	\$ 601,806.00	\$ 550,655.00
Contributions in Relation to the Contractually Determined Contribution	690,553.00	662,244.00	627,424.00	601,806.00	550,655.00
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 10,673,147.00	\$ 10,562,109.00	\$ 10,370,638.00	\$ 10,358,103.00	\$ 9,833,125.00
Contributions as a Percentage of Covered Payroll	6.47%	6.27%	6.05%	5.81%	5.60%

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

**Exhibit C-4
Page 2 of 2**

Disability Income Plan of North Carolina	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 19,067.13	\$ 15,647.00	\$ 12,988.00	\$ 10,517.00	\$ 9,535.49
Contributions in Relation to the Contractually Determined Contribution	<u>19,067.13</u>	<u>15,647.00</u>	<u>12,988.00</u>	<u>10,517.00</u>	<u>9,535.49</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Payroll	\$ 14,667,025.78	\$ 14,224,204.00	\$ 12,987,802.14	\$ 11,685,338.00	\$ 10,594,990.00
Contributions as a Percentage of Covered Payroll	0.13%	0.11%	0.10%	0.09%	0.09%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 10,673.00	\$ 14,787.00	\$ 14,519.00	\$ 39,361.00	\$ 40,316.00
Contributions in Relation to the Contractually Determined Contribution	<u>10,673.00</u>	<u>14,787.00</u>	<u>14,519.00</u>	<u>39,361.00</u>	<u>40,316.00</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Payroll	\$ 10,673,147.00	\$ 10,562,109.00	\$ 10,370,638.00	\$ 10,358,103.00	\$ 9,833,125.00
Contributions as a Percentage of Covered Payroll	0.10%	0.14%	0.14%	0.38%	0.41%

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

Blue Ridge Community College

Notes to Required Supplementary Information

Schedule of College Contributions

Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans

For the Fiscal Year Ended June 30, 2025

Changes of Benefit Terms: Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of five 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 five 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-pocket maximums, and deductibles were changed for one of four options of the RHBF. Out-of-pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

Effective January 1, 2021, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Effective January 1, 2022, the structure of employer contributions to the RHBF was altered by legislation. Previously, non-Medicare-eligible retirees had the same employer contribution rate as active employees. As a result of the legislative change, non-Medicare-eligible retirees have the same employer contribution rate as Medicare-eligible retirees.

Effective April 1, 2024, coverage of GLP-1 prescriptions for obesity management (GLP-1-AOM) was terminated.

Beginning with the Disability Income Plan of North Carolina (DIPNC) actuarial valuation as of December 31, 2017, the valuation included a liability for the State's potential reimbursement of costs incurred by employers for income benefits and health insurance premiums during the second six months of the first year of employee's short-term disability benefit period. Effective with the actuarial valuation as of December 31, 2021, this liability was removed from the actuarial valuation because the reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019.

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 preceding 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 14 for more information on the specific assumptions for each plan. The actuarially determined contributions 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: Consistent with prior years, for the actuarial valuation measured as of June 30, 2024 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.93%, from 3.65% as of June 30, 2023. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs 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 among RHBF plan options over the next four years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates by including proposed PMPM vendor rates through 2027 and then using assumed trend beginning in 2028. Employer portion of contributions were calculated to have less volatility than recent experience and have a smoother transition to the ultimate trend.

For the actuarial valuation measured as of June 30, 2024 for DIPNC, the discount rate remained at 3%, unchanged from the rate as of June 30, 2023.

In 2020, 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, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS and the Committee on Actuarial Valuation of Retired Employees' Health Benefits 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 mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience. Also in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the TSERS actuarial valuation to better align with the anticipated incidence of disability.

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 to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability.

The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

For the DIPNC actuarial valuation as of December 31, 2023, benefit payments expected to be issued after 36 months of disability to claimants who had at least five years of membership service as of July 31, 2007 were updated to include an offset (reduction to the DIPNC benefit) based on estimated Social Security benefits.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2024 *Annual Comprehensive Financial Report*.



Independent Auditor's Report



North Carolina Office of the State Auditor

Dave Boliek, State Auditor

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Blue Ridge Community College (College), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 10, 2026. Our report includes a reference to other auditors who audited the financial statements of Blue Ridge Community College Educational Foundation, Inc. (Foundation), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation.

Internal Control Over Financial Reporting

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

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

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. 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 were not 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.



Dave Boliek
State Auditor

Raleigh, North Carolina

March 10, 2026

Ordering Information

Copies of this report may be obtained by contacting:



Office of the State Auditor
State of North Carolina
20601 Mail Service Center
Raleigh, North Carolina 27699

Telephone: 919-807-7500
Fax: 919-807-7647
Internet: www.auditor.nc.gov



**To report alleged incidents of fraud, waste or abuse in state government
contact the Office of the State Auditor's Tipline:**

Telephone: 1-800-730-8477

Internet: www.auditor.nc.gov/about-us/state-auditors-tipline