

Blue Ridge

COMMUNITY COLLEGE

Financial Statements
For the Fiscal Year Ended June 30, 2014
(Unaudited)



Dr. Molly Parkhill
President

Prepared by
Blue Ridge Community College
Division of Finance and Operations

September 19, 2014

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Special appreciation is given to all BRCC staff for their efforts to contribute accurate and timely financial data for their areas, making this report possible.

**Blue Ridge Community College
Board of Trustees
2014**

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BLUE RIDGE COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Blue Ridge Community College's (BRCC) annual financial statements presents an overview of BRCC's financial activities during the fiscal year that ended on June 30, 2014. We encourage readers to consider this information in conjunction with the financial statements and the notes to the financial statements. For more information, please contact the Office of the Vice President of Finance and Operations/CFO at (828) 694-1716.

Overview of the Financial Statements

These basic financial statements consist of three parts: management's discussion and analysis, financial statement exhibits, and notes to the financial statements.

The financial statements of BRCC report information about BRCC using the economic resources measurement focus and the accrual basis of accounting. These statements offer short-term and long-term financial information about the College's activities.

The Statement of Net Position includes all of BRCC's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of BRCC and assessing the liquidity and financial flexibility of BRCC.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This Statement measures the success of BRCC's operations over the past year and can be used to determine whether BRCC has successfully recovered all its costs through tuition and fees, grants, and gifts.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about BRCC's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to where the cash came from, what cash was used for, and the change in cash balance during the reporting period.

The notes to the financial statements are a required component of the basic financial statements and explain in further detail some of the information in the financial statements.

Financial Analysis

Assets

The assets of the College are divided between current and noncurrent assets.

Current assets include cash, receivables, inventories, prepaid items and notes receivable. Total current assets decreased when compared to the prior fiscal year. The majority of the decrease in current assets is due to the receipt of Golden LEAF grant funds for the Mechatronics program and upgrades in the advanced manufacturing laboratories that were accrued during fiscal year 2013 and included in Due from State of North Carolina Component Units. Cash and cash equivalents increased due to the receipt of proceeds from a life insurance policy bequeathed by a former College employee. The increase in Receivables, net can be attributed to a \$2.50 increase in in-state tuition rates as well as an increase in class registration for part time students that have expanded their enrollment from a half time to a three quarters time course load. The increase in Prepaid Items is the result of the purchase and renewal of long-term software licensing contracts and maintenance agreements.

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>
Current Assets			
Cash and Cash Equivalents	\$ 1,014,971	\$ 963,769	\$ 51,202
Restricted Cash and Cash Equivalents	319,123	356,176	(37,053)
Receivables, Net	292,845	201,868	90,977
Due from State of North Carolina Component Units	82,205	576,471	(494,266)
Due from Community College Component Unit	-	904	(904)
Inventories	60,833	87,193	(26,360)
Prepaid Items	245,036	143,833	101,203
Notes Receivable, Net	448	548	(100)
	<u>\$ 2,015,461</u>	<u>\$ 2,330,762</u>	<u>\$ (315,301)</u>

Noncurrent assets include cash and capital assets (land, construction in progress, buildings, general infrastructure, and equipment).

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>
Noncurrent Assets			
Restricted Cash and Cash Equivalents	\$ 1,412,860	\$ 843,416	\$ 569,444
Restricted Due from Primary Government	-	200,000	(200,000)
Capital Assets, Net	30,550,689	30,587,885	(37,196)
	<u>\$ 31,963,549</u>	<u>\$ 31,631,301</u>	<u>\$ 332,248</u>

The increase in noncurrent Restricted Cash and Cash Equivalents is primarily due to the carryover of county appropriations for projects that were not completed within fiscal year 2014. These funds will remain restricted for capital projects and will carry over to future years. The balance in Restricted Due from Primary Government in fiscal year 2013

represented non-recurring capital funding from the state that the College used to repave the main parking lot in front of the Patton building which was completed during fiscal year 2014. The decrease in capital assets is due to depreciation expense on assets still in service during the 2014 fiscal year exceeding the acquisition cost of capital asset additions.

Refer to Note 5 of the notes to the financial statements for a detail of the changes in capital assets by category.

Liabilities

The College's debt agreements are divided between current liabilities payable within twelve months and noncurrent liabilities that extend beyond a year. Long-term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year, calculated at the current salary rates for each employee, consistent with the institution's leave policies.

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>
Liabilities			
Current Liabilities	\$ 770,502	\$ 790,293	\$ (19,791)
Noncurrent Liabilities	<u>549,399</u>	<u>631,050</u>	<u>(81,651)</u>
Total Liabilities	<u>\$ 1,319,901</u>	<u>\$ 1,421,343</u>	<u>\$ (101,442)</u>

The College did not enter into any new financial arrangements during the year. Current liabilities are primarily limited to accounts payable, unearned tuition revenue and the current portion of accrued employee annual leave estimated to be paid during the next fiscal year. The decrease in noncurrent liabilities is due to an increase in employee retirements during the 2014 fiscal year, resulting in the payout of accrued leave, resulting in the decrease in total accrued annual leave.

Net Position

Net position is a measure of all the College's assets after liabilities are deducted. The Net Position of the College was \$32,659,109 at June 30, 2014, which was an increase of \$118,389 during fiscal year 2014. This increase in Net Position was primarily the result of the decline in current liabilities, due to the payout of accrued employee annual leave during the 2014 fiscal year for retirees.

	<u>2014</u>	<u>2013</u>	<u>Increase / (Decrease)</u>
Net Position			
Investment in Capital Assets	\$ 30,550,689	\$ 30,587,885	\$ (37,196)
Restricted	1,884,522	1,973,592	(89,070)
Unrestricted	<u>223,898</u>	<u>(20,757)</u>	<u>244,655</u>
Total Net Position	<u>\$ 32,659,109</u>	<u>\$ 32,540,720</u>	<u>\$ 118,389</u>

Revenues

The College's revenues are classified as operating and non-operating revenues.

Operating revenues include student tuition and fees, state and local grants and revenue earned from sales and services; principally comprised of commissions received from the bookstore, vending contracts, live project fees, and conferences and event services.

	<u>2014</u>	<u>2013</u>	<u>Increase / (Decrease)</u>
Operating Revenues			
Student Tuition and Fees, Net	\$ 2,178,282	\$ 2,196,726	\$ (18,444)
State and Local Grants and Contracts	281,657	258,472	23,185
Sales and Services, Net	240,229	207,291	32,938
Other Operating Revenues	<u>93,614</u>	<u>80,333</u>	<u>13,281</u>
 Total Operating Revenues	 <u>\$ 2,793,782</u>	 <u>\$ 2,742,822</u>	 <u>\$ 50,960</u>

Although student tuition rates increased over the prior year, a slight decline in overall enrollment produced a decrease in tuition and fees revenue. State and Local Grants and Contracts Revenue increased due to the receipt of new grant funds from the Land of Sky Regional Council and an increase in grant funds received from the Public, Educational, and Governmental (PEG) grant. The increase in Sales and Services, net revenue was due to an increase in College bookstore commissions after the first full year under the contract with Barnes and Noble. A decrease in the amount of accounts receivable write-offs in fiscal year 2014 in comparison to fiscal year 2013 resulted in an increase in Other Operating Revenues reported.

Refer to Note 9 in the notes to the financial statements for a detail of sales and services revenues.

Non-Operating Revenues

Non-operating revenues comprise the major portion of the College's income and include formula allocations from the North Carolina State Board of Community Colleges for current expenses, equipment, and capital improvements. Also included are funds appropriated by the Henderson County and Transylvania County Boards of Commissioners, and various Other Operating Revenues deposited into Institutional Funds.

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>
Nonoperating Revenues (Expenses)			
State Aid	\$ 10,987,167	\$ 11,333,461	\$ (346,294)
County Appropriations	2,440,308	2,440,308	-
Noncapital Grants - Student Financial Aid	4,155,467	3,842,809	312,658
Noncapital Grants - Other	954,273	1,647,810	(693,537)
Noncapital Gifts	442,520	311,730	130,790
Investment Income, Net	8,800	4,914	3,886
Other Nonoperating Revenues (Expenses)	<u>20,307</u>	<u>(16,411)</u>	<u>36,718</u>
 Total nonoperating revenues	 <u>\$ 19,008,842</u>	 <u>\$ 19,564,621</u>	 <u>\$ (555,779)</u>

State Aid decreased due to a decline in full time enrollment. The increase in Noncapital Grants - Student Financial Aid is due to an increase in Federal student financial aid received during fiscal year 2014, most notably from the Federal Pell Grant. The decrease in Noncapital Grants - Other is due to the accrual of Golden LEAF grant funds in 2013, received in 2014 for the Mechatronics program and upgrades to the advanced manufacturing laboratories. Noncapital gifts grew from an increase in donations for an Endowed Chair, Curriculum scholarships and minor equipment items from the Foundation during 2014. Noncapital Gifts for 2014 also includes proceeds from a life insurance policy of a former employee in which the College was named as the beneficiary. The increase in Other Nonoperating Revenues (Expenses) is attributable to course fees and field trip revenues from Blue Ridge Center for Lifelong Learning, as fiscal year 2014 was the first full year the Center's activities were included with the College's operations.

Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and related fringe benefits. Depreciation expense is identified consistent with the requirements for GASB Statements No. 34/35.

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>
Operating Expenses			
Salaries and Benefits	\$ 15,331,864	\$ 15,300,349	\$ 31,515
Supplies and Materials	946,101	1,399,136	(453,035)
Services	1,847,953	2,031,510	(183,557)
Scholarships and Fellowships	3,234,055	3,102,296	131,759
Utilities	573,591	550,543	23,048
Depreciation	1,405,825	1,399,769	6,056
Total Operating Expenses	<u>\$ 23,339,389</u>	<u>23,783,603</u>	<u>\$ (444,214)</u>

The decrease in Supplies and Materials expense and Services expense is the result of less expenditures in fiscal year 2014 capital projects. The decrease in these expenditures resulted in a corresponding increase in Noncurrent Restricted Capital Cash that will carryover. Scholarships and Fellowships expense increased due to an increase in tuition rates which in turn increased the Federal Pell Grants awarded in fiscal year 2014. Although the College has taken energy saving measures, an increase in utility rates during the 2014 fiscal year resulted in an increase in utilities expense.

Capital Contributions

Capital contributions are received from appropriations from the North Carolina State Board of Community Colleges under a formula allocation for educational equipment and library books. The State Board also provided construction funds as part of the North Carolina 2000 Higher Education Bond Referendum and previous legislative action for renovations and repairs in fiscal year 2013. Total capital contributions increased by \$149,722.

	<u>2014</u>	<u>2013</u>	<u>Increase/ (Decrease)</u>
Capital Contributions			
State Capital Aid	\$ 384,976	\$ 625,260	\$ (240,284)
County Capital Aid	1,032,047	872,346	159,701
Capital Gifts	238,131	7,826	230,305
Total Capital Contributions	<u>\$ 1,655,154</u>	<u>\$ 1,505,432</u>	<u>\$ 149,722</u>

The decrease in State Capital Aid was the result of a mandated .4% reversion of funds totaling \$56,550 returned to the State along with \$188,465 in State Capital Aid for equipment that was

redirected to cover Instructional and Institutional expenses. The increase in County Capital Aid was approved by the Board of Commissioners from the respective counties. The variance in Capital Gifts is due to an increase in items donated by the Foundation, primarily for items to be used in the advanced machining laboratories.

Future Capital Asset Activity

Preliminary planning for the construction of an Advanced Manufacturing Center is on hold, pending approval of funding in the future.

Economic Outlook

Following two years of large enrollment increases, growth has stabilized or declined in some areas. The College continues to eliminate certain low enrollment programs while creating new programs that best meet the every changing needs of the community and area workforce. In addition, the College has experienced a decrease in operational funding by the State due to a decline in enrollment. As the College looks ahead, we will continue to pursue other revenue generating possibilities through the Blue Ridge Community College Educational Foundation, Inc. and other grant opportunities. Moreover, the College will continue to control costs by looking for new and innovative ways to improve operational efficiencies through external partnerships, energy efficiencies and technology maximization.

Blue Ridge Community College
Statement of Net Position
June 30, 2014

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:		
Cash and Cash Equivalents	\$	1,014,971
Restricted Cash and Cash Equivalents		319,123
Receivables, Net (Note 4)		292,845
Due from State of North Carolina Component Units		82,205
Inventories		60,833
Prepaid Items		245,036
Notes Receivable, Net (Note 4)		448
		<hr/>
Total Current Assets		2,015,461
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		1,412,860
Capital Assets - Nondepreciable (Note 5)		1,810,652
Capital Assets - Depreciable, Net (Note 5)		28,740,037
		<hr/>
Total Noncurrent Assets		31,963,549
		<hr/>
Total Assets		33,979,010
		<hr/>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources		-
		<hr/>

Blue Ridge Community College
Statement of Net Position
June 30, 2014

Exhibit A-1
Page 2 of 2

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	397,248
Due to Primary Government	107
Unearned Revenue	227,134
Funds Held for Others	28,989
Long-Term Liabilities - Current Portion (Note 7)	117,024

Total Current Liabilities 770,502

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	549,399
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Total Noncurrent Liabilities 549,399

Total Liabilities 1,319,901

DEFERRED INFLOWS OF RESOURCES

Total Deferred Inflows of Resources -

NET POSITION

Investment in Capital Assets 30,550,689

Restricted for:

Nonexpendable:

Scholarships and Fellowships	50,000
Loans	1,500

Expendable:

Scholarships and Fellowships	3,461
Loans	94,130
Capital Projects	1,361,135
Restricted for Specific Programs	374,296

Unrestricted 223,898

Total Net Position \$ 32,659,109

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, 2014

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 9)	\$ 2,178,282
State and Local Grants and Contracts	281,657
Sales and Services, Net (Note 9)	240,229
Other Operating Revenues	93,614
	<hr/>
Total Operating Revenues	2,793,782

EXPENSES

Operating Expenses:	
Salaries and Benefits	15,331,864
Supplies and Materials	946,101
Services	1,847,953
Scholarships and Fellowships	3,234,055
Utilities	573,591
Depreciation/ Amortization	1,405,825
	<hr/>
Total Operating Expenses	23,339,389
	<hr/>
Operating Loss	(20,545,607)

NONOPERATING REVENUES

State Aid	10,987,167
County Appropriations	2,440,308
Noncapital Grants - Student Financial Aid	4,155,467
Noncapital Grants	954,273
Noncapital Gifts (Note 9)	442,520
Investment Income	8,800
Other Nonoperating Revenues	20,307
	<hr/>
Net Nonoperating Revenues	19,008,842
	<hr/>
Loss Before Other Revenues, Expenses, Gains, and Losses	(1,536,765)

State Capital Aid	384,976
County Capital Aid	1,032,047
Capital Gifts (Note 9)	238,131
	<hr/>
Increase in Net Position	118,389

NET POSITION

Net Position, July 1, 2013	32,540,720
	<hr/>
Net Position, June 30, 2014	\$ 32,659,109

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, 2014

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 2,739,336
Payments to Employees and Fringe Benefits	(15,380,400)
Payments to Vendors and Suppliers	(3,508,000)
Payments for Scholarships and Fellowships	(3,274,072)
Loans Issued to Students	(1,785)
Collection of Loans to Students	3,097
Other Receipts (Payments)	102,578
	<hr/>
Net Cash Used by Operating Activities	(19,319,246)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	10,987,167
County Appropriations	2,440,308
Noncapital Grants - Student Financial Aid	4,155,467
Noncapital Grants	1,456,196
Noncapital Gifts and Endowments	443,424
William D. Ford Direct Lending Receipts	1,912,690
William D. Ford Direct Lending Disbursements	(1,912,690)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	19,482,562

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	584,976
County Capital Aid	1,032,047
Proceeds from Sale of Capital Assets	3,358
Acquisition and Construction of Capital Assets	(1,208,904)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	411,477

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	8,800
	<hr/>
Cash Provided by Investing Activities	8,800

Net Increase in Cash and Cash Equivalents	583,593
Cash and Cash Equivalents, July 1, 2013	2,163,361
	<hr/>
Cash and Cash Equivalents, June 30, 2014	\$ 2,746,954

Blue Ridge Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (20,545,607)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/ Amortization Expense	1,405,825
Provision for Uncollectible Loans and Write-Offs	(631)
Nonoperating Other Income	95,355
Changes in Assets and Liabilities:	
Receivables, Net	(98,634)
Inventories	26,360
Prepaid Items	(101,203)
Notes Receivable, Net	731
Accounts Payable and Accrued Liabilities	(70,675)
Due to Primary Government	(200)
Unearned Revenue	4,752
Funds Held for Others	7,223
Compensated Absences	(42,542)
Net Cash Used by Operating Activities	<u>\$ (19,319,246)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 1,014,971
Restricted Cash and Cash Equivalents	319,123
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>1,412,860</u>
Total Cash and Cash Equivalents - June 30, 2014	<u>\$ 2,746,954</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through a Gift	238,131
Loss on Disposal of Capital Assets	(75,048)

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, 2014

Exhibit B-1

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 690,884
Receivables, Net	17,839
Pledges Receivable/Promises	13,870
	<hr/>
Total Current Assets	722,593
	<hr/>
Investments	10,237,551
	<hr/>
Total Assets	\$ 10,960,144
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable and Accrued Expenses	98,374
	<hr/>
Net Assets:	
Unrestricted	
Undesignated	1,079,280
Board-Designated	6,672
	<hr/>
Total Unrestricted	1,085,952
Temporarily Restricted	2,431,250
Permanently Restricted	7,344,568
	<hr/>
Total Net Assets	10,861,770
	<hr/>
Total Liabilities and Net Assets	\$ 10,960,144
	<hr/> <hr/>

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, 2014

Exhibit B-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES				
Contributions	\$ 392,773	\$ 458,666	\$ 186,315	\$ 1,037,754
Interest and Dividends	32,710	124,397		157,107
Net realized and unrealized gains on investments	251,094	955,060		1,206,154
Transfers	7,307	2,693	(10,000)	-
Other	345	6,587		6,932
Net assets released from restrictions	719,978	(719,978)		-
Total Public Support and Revenues	<u>1,404,207</u>	<u>827,425</u>	<u>176,315</u>	<u>2,407,947</u>
EXPENSES				
Program Services:				
Scholarship awards	308,211			308,211
Other student financial assistance	250			250
Other awards	733,018			733,018
Total program services	<u>1,041,479</u>			<u>1,041,479</u>
Supporting services	139,346			139,346
Total expenses	<u>1,180,825</u>	<u>-</u>	<u>-</u>	<u>1,180,825</u>
Increase in net assets	223,382	827,425	176,315	1,227,122
Net assets at beginning of year	<u>862,570</u>	<u>1,603,825</u>	<u>7,168,253</u>	<u>9,634,648</u>
Net assets at end of year	<u>\$ 1,085,952</u>	<u>\$ 2,431,250</u>	<u>\$ 7,344,568</u>	<u>\$ 10,861,770</u>

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

BLUE RIDGE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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 is a tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 17 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2014, the Foundation distributed \$645,970 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Foundation by calling 828-694-1710.

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

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

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

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

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, money market 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.
- 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 state governments in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

- F. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using 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 fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 100 years for buildings, and 2 to 30 years for equipment, and 2 to 30 years for computer software.

The outdoor sculpture collection is capitalized at cost or fair value at the date of donation. This collection is depreciated over the life of the collection using the straight-line method. The estimated useful life for the collection is 25 years.

- H. **Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources whose use is limited by external parties or statute, and endowment and other restricted investments.
- I. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- J. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

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

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

K. 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 debt obligations related to those capital assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

position include consideration of deferred inflows and outflows of resources.

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

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

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

N. 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 copy services and motor pool. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

allocating any residual balances to those departments receiving the goods and services during the year.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The College is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute 115D-58.7*. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling \$2,100, and deposits in private financial institutions with a carrying value of \$1,990,082 and a bank balance of \$2,099,462.

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, 2014, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

At June 30, 2014, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$754,772 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 and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2014. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Component Units - 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>At June 30, 2014</u>	<u>Fair Value</u>
Cash and Money Market Funds	\$ 816,989
Equity Securities	6,508,526
Mutual funds - balanced fixed income	780,603
Government bonds	1,171,222
Corporate bonds	509,515
Mortgage backed securities	450,696
	<u>\$ 10,237,551</u>

NOTE 3 - 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 restricted cash and cash equivalents - noncurrent 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, 2014, net appreciation of \$67,136 was available to be spent, of which \$65,886 was classified in net position as expendable, restricted for loans and \$1,250 classified as expendable, restricted for specific programs.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2014, were as follows:

	<u>Gross</u>	<u>Less</u>	<u>Net</u>
	<u>Receivables</u>	<u>Allowance</u>	<u>Receivables</u>
		<u>for Doubtful</u>	
		<u>Accounts</u>	
Current Receivables:			
Students	\$ 157,665	\$ 64,941	\$ 92,724
Student Sponsors	32,307	13,307	19,000
Intergovernmental	61,856		61,856
Other	119,265		119,265
	<u>\$ 371,093</u>	<u>\$ 78,248</u>	<u>\$ 292,845</u>
Total Current Receivables			
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	<u>\$ 763</u>	<u>\$ 315</u>	<u>\$ 448</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2014, is presented as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 1,590,269	\$	\$	\$ 1,590,269
Construction in Progress	163,960	435,968	379,545	220,383
Total Capital Assets, Nondepreciable	<u>1,754,229</u>	<u>435,968</u>	<u>379,545</u>	<u>1,810,652</u>
Capital Assets, Depreciable:				
Buildings	38,900,343	379,545		39,279,888
Machinery and Equipment	5,942,389	1,011,067	185,307	6,768,149
Art, Literature, and Artifacts	55,000			55,000
General Infrastructure	1,307,388			1,307,388
Total Capital Assets, Depreciable	<u>46,205,120</u>	<u>1,390,612</u>	<u>185,307</u>	<u>47,410,425</u>
Less Accumulated Depreciation/Amortization for:				
Buildings	13,924,066	889,561		14,813,627
Machinery and Equipment	2,657,976	477,599	106,902	3,028,673
Art, Literature, and Artifacts	9,383	2,200		11,583
General Infrastructure	780,039	36,466		816,505
Total Accumulated Depreciation/Amortization	<u>17,371,464</u>	<u>1,405,826</u>	<u>106,902</u>	<u>18,670,388</u>
Total Capital Assets, Depreciable, Net	<u>28,833,656</u>	<u>(15,214)</u>	<u>78,405</u>	<u>28,740,037</u>
Capital Assets, Net	<u>\$ 30,587,885</u>	<u>\$ 420,754</u>	<u>\$ 457,950</u>	<u>\$ 30,550,689</u>

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2014, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 74,395
Accrued Payroll	313,549
Other	9,304
Total Current Accounts Payable and Accrued Liabilities	<u>\$ 397,248</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2014, is presented as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
Compensated Absences	\$ 708,965	\$ 395,202	\$ 437,744	\$ 666,423	\$ 117,024
Total Long-Term Liabilities	<u>\$ 708,965</u>	<u>\$ 395,202</u>	<u>\$ 437,744</u>	<u>\$ 666,423</u>	<u>\$ 117,024</u>

NOTE 8 - LEASE OBLIGATIONS

Operating Lease Obligations - The College entered into an operating lease for copiers in fiscal year 2011. The remaining future minimum lease payments under the cancelable operating lease consist of the following at June 30, 2014:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 59,220
2016	43,339
Total Minimum Lease Payments	<u>\$ 102,559</u>

Rental expense for the operating lease during fiscal year 2014 was \$63,543.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 3,870,490	\$	\$ 1,692,029	\$ 179	\$ 2,178,282
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	\$ 100,947	\$	\$	\$	\$ 100,947
Printshop	119,903	119,903			-
Rent	45,500				45,500
Other	23,212				23,212
Sales and Services of Education and Related Activities	70,570				70,570
Total Sales and Services	\$ 360,132	\$ 119,903	\$ -	\$ -	\$ 240,229
Nonoperating - Noncapital Gifts	\$ 442,520	\$	\$	\$	\$ 442,520
Capital Gifts	\$ 238,131	\$	\$	\$	\$ 238,131

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$ 8,749,324	\$ 502,726	\$ 466,026	\$ 52,721	\$	\$	\$ 9,770,797
Research	16,942						16,942
Academic Support	1,713,374	66,750	41,192				1,821,316
Student Services	990,508	3,334	220,559	24,712			1,239,113
Institutional Support	2,907,043	206,260	502,952				3,616,255
Operations and Maintenance of Plant	846,230	119,503	528,981		573,591		2,068,305
Student Financial Aid				3,155,393			3,155,393
Auxiliary Enterprises	108,443	47,528	88,243	1,229			245,443
Depreciation/ Amortization						1,405,825	1,405,825
Total Operating Expenses	\$ 15,331,864	\$ 946,101	\$ 1,847,953	\$ 3,234,055	\$ 573,591	\$ 1,405,825	\$ 23,339,389

NOTE 11 - PENSION PLANS

Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (TSERS) is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

employees of the State, its component units and local boards of education. The Plan is administered by a 14-member Board of Trustees, with the State Treasurer serving as Chairman of the Board.

Benefit and contribution provisions for the TSERS are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2014, these rates were set at 8.69% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$12,124,124, of which \$9,560,738 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$830,828 and \$573,644 respectively.

Required employer contribution rates for the years ended June 30, 2013, and 2012, were 8.33% and 7.44%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2014, 2013, and 2012, which were \$830,828, \$781,967, and \$676,561, respectively.

The TSERS financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

- A. **Health Benefits** - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are established by the General Assembly.

For the current fiscal year the College contributed 5.40% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2013, and 2012, were 5.30% and 5.0%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2014, 2013, and 2012, which were \$516,280, \$497,530, and \$454,678, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- B. Disability Income** - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2014, the College made a statutory contribution of .44% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2013, and 2012, were .44% and .52%, respectively. The College made 100% of its annual required contributions to the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DIPNC for the years ended June 30, 2014, 2013, and 2012, which were \$42,067, \$41,304, and \$47,287, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 13 - 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.

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

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

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The College pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. Employee dishonesty insurance for employees

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

who are paid from non-State funds is purchased from a private insurance company with coverage of \$75,000 per occurrence with a \$500 deductible.

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

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

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

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Commitments - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. There were no outstanding commitments on construction projects. Outstanding commitments other purchases were \$46,047 at June 30, 2014.

The College entered into a one year contract with IH Services, Inc. beginning July 1, 2014 to provide custodial services on the Henderson County Campus. The contract is for a one year term, renewable for two additional years.

The College also entered into a contract with Young and Company for the re-design and renovation of the Killian Cafeteria which will take place during fiscal year 2015.

