

College of The Albemarle

Elizabeth City, North Carolina

Financial Statement Audit Report
For the Year Ended June 30, 2020

A Component Unit of the State of North Carolina

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion And Analysis	3
Financial Statements	
College Exhibits	
A-1 Statement of Net Position	8
A-2 Statement of Revenues, Expenses, and Changes in Net Position	10
A-3 Statement of Cash Flows	11
Component Unit Exhibits	
B-1 Statement of Financial Net Position	13
B-2 Statement of Activities	14
Notes To The Financial Statements	15
Required Supplementary Information.....	50
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>	56



S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

Independent Auditor's Report

Board of Trustees
College of The Albemarle
Elizabeth City, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Foundation which are presented as component unit exhibits in the accompanying table of contents. Those statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this entity, are based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

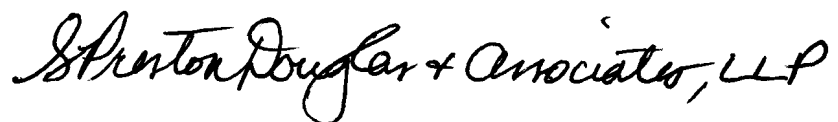
In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and the Foundation as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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, and 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 consist 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 December 4, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Colleges internal control over financial reporting and compliance.



Lumberton, North Carolina
December 4, 2020

Overview

The College of The Albemarle was established in 1960 and is the oldest comprehensive community college in the North Carolina Community College System. The College serves seven counties (Camden, Chowan, Currituck, Dare, Gates, Pasquotank, and Perquimans) and the land mass covers over 1,875 square miles. Major campuses are located in the northeastern portion of North Carolina in the cities of Edenton, Elizabeth City, Manteo, and Barco.

In this section of the College's annual report, management discusses various aspects of the College, both past and present. Among other things, management's discussion and analysis provides an overview of the previous year of operations and compares that year to the year being audited.

Management's discussion and analysis is a very important section of an annual report, especially for those analyzing the fundamentals, which include management and management style. Although this section contains useful information, the section is unaudited.

Our discussion and analysis of College of The Albemarle's financial performance provides an overview of the College activities for the fiscal year ended June 30, 2020. The intent of management's discussion and analysis is to look at the College's financial performance as a whole: readers should also review the notes to the financial statements to enhance their understanding of the financial performance.

Using the Annual Report

College of The Albemarle's discussion and analysis provides a summary of the College's basic financial statements. The College of The Albemarle Foundation, Inc. is a discretely presented component unit of the College. The following basic financial statements are included in this report:

Statement of Net Position	Exhibit A-1
Statement of Revenues, Expenses and Changes in Net Position	Exhibit A-2
Statement of Cash Flows	Exhibit A-3
Foundation-Statement of Financial Position	Exhibit B-1
Foundation-Statement of Activities	Exhibit B-2

The Statement of Net Position presents information on all of the College's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving. The Foundation's Statement of Financial Position also presents the Foundation's assets and liabilities, and deferred outflows and inflows.

The Statement of Revenues, Expenses and Changes in Net Position show how the College's net position changed during the most recent fiscal year. Revenues and expenses are presented in a format that distinguishes between operating and nonoperating revenues and expenses. The Foundation's Statement of Activities shows how the Foundation's net position has changed during the fiscal year.

The Statement of Cash Flows provides detail on the College's cash activity for the year. The direct method is used to present cash flows.

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

Financial Highlights

Condensed Statement of Net Position

	<i>2020</i>	<i>2019</i>	Increase (Decrease)	Percent Change
Assets				
Current	\$ 3,180,612.81	\$ 3,225,674.33	\$ (45,061.52)	-1.40%
Noncurrent	747,149.62	171,609.56	575,540.06	335.38%
Capital Assets, Net	31,950,389.09	32,624,088.86	(673,699.77)	-2.07%
Total Assets	<u>35,878,151.52</u>	<u>36,021,372.75</u>	<u>(143,221.23)</u>	<u>-0.40%</u>
Deferred Outflows	<u>3,802,269.00</u>	<u>3,791,313.00</u>	<u>10,956.00</u>	<u>0.29%</u>
Liabilities				
Current	798,175.58	1,016,378.19	(218,202.61)	-21.47%
Noncurrent	19,519,125.08	18,510,170.05	1,008,955.03	5.45%
Total Liabilities	<u>20,317,300.66</u>	<u>19,526,548.24</u>	<u>790,752.42</u>	<u>4.05%</u>
Deferred Inflows	<u>5,617,961.00</u>	<u>6,808,808.00</u>	<u>(1,190,847.00)</u>	<u>-17.49%</u>
Net Position				
Net Investment In Capital Assets	31,622,384.73	32,296,084.50	(673,699.77)	-2.09%
Restricted Net Position	866,487.54	331,897.34	534,590.20	161.07%
Unrestricted Net Position	(18,743,713.41)	(19,150,652.33)	406,938.92	2.12%
Total Net Position	<u>\$ 13,745,158.86</u>	<u>\$ 13,477,329.51</u>	<u>\$ 267,829.35</u>	<u>1.99%</u>

The College had a positive change in net position of \$267,829.35 in fiscal year 2019-2020. This change was a result of a slowdown in spending that occurred at the end of the third quarter and continued through the end of the fiscal year. In March, as the result of the declared state of emergency due to the COVID-19 pandemic, the College shifted courses online and employees to remote work. This resulted in reduced spending in all areas such as supplies, travel, utilities, capital outlay and equipment.

While total assets for the college declined slightly, this when combined with a larger decline in current liabilities and deferred inflows, resulted in an increase in net position. Total assets declined by 0.40 % or \$143,221.23. The decrease in total assets was primarily the result of depreciation of infrastructure and equipment. While total assets declined, noncurrent assets increased. The funding for the chiller replacement project on the COA-Elizabeth City campus was received in 2019-2020, but the project and related expenditures have been delayed and are expected to be completed in fall of 2020.

Also, during the fiscal year 2019-2020, total liabilities increased by 4.05% or \$790,752.42. The increase in total liabilities was due to the increase in Net Pension and Net Other Post-Employment Benefit (OPEB) Liabilities. The increase in total liabilities was offset by a decline in the deferred inflows for both Pensions and OPEB. The net effect of the changes in total liabilities and deferred inflows resulted in a reduction of liabilities and deferred inflows in the amount of \$400,094.58.

The deferred outflows of resources and deferred inflows of resources are reported on the face of the financial statements. The deferred outflows of resources are the consumption of net assets by the College that are applicable to a future reporting period. Deferred inflows of resources are an acquisition of net assets by the College that is applicable to a future reporting period. Deferred inflows and outflows are both related to GASB 68 and GASB 75, as they pertain to pensions and OPEB.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the College's net position changed during the most recent fiscal year. Revenues and expenses are presented in a format that distinguishes between operating and non-operating revenues and expenses.

Condensed Statement of Revenues, Expenses and Changes in Net Position

			Increase (Decrease)	Percent Change
Operating Revenue	2020	2019		
Student Tuition and Fees, Net	\$ 1,797,252.87	\$ 2,087,423.62	\$ (290,170.75)	-13.90%
Grants and Contracts	599,121.38	463,036.08	136,085.30	29.39%
Sales and Services, Net	211,879.00	183,134.37	28,744.63	15.70%
Other Operating Revenues	345.07	3,485.41	(3,140.34)	-90.10%
Total Operating Revenue	2,608,598.32	2,737,079.48	(128,481.16)	-4.69%
Operating Expenses				
Salaries and Benefits	14,952,264.65	13,981,739.73	970,524.92	6.94%
Other Expenses	7,849,271.96	8,800,661.43	(951,389.47)	-10.81%
Total Operating Expenses	22,801,536.61	22,782,401.16	19,135.45	0.08%
Operating Loss	(20,192,938.29)	(20,045,321.68)	(147,616.61)	0.74%
Nonoperating Revenue (Expenses)				
State Aid	13,477,627.71	13,198,024.91	279,602.80	2.12%
County Appropriations	2,607,178.81	2,551,919.34	55,259.47	2.17%
Noncapital Grants and Gifts	3,517,377.68	3,629,238.13	(111,860.45)	-3.08%
Other Nonoperating Revenue (Expense)	25,778.51	(76,258.14)	102,036.65	133.80%
Total Nonoperating Revenue (Expenses)	19,627,962.71	19,302,924.24	325,038.47	1.68%
Loss Before Other Revenues	(564,975.58)	(742,397.44)	177,421.86	-23.90%
Other Revenues	832,804.93	2,434,030.82	(1,601,225.89)	-65.78%
Change in Net Position	\$ 267,829.35	\$ 1,691,633.38	\$ (1,423,804.03)	-84.17%

In 2020, total operating revenues for College of The Albemarle decreased by 4.69%, or \$128,481.16. Even though the College experienced an increase in enrollment in 2019-2020, student tuition and fee revenues declined by 13.90% or \$290,170.75. This decline was the result of increases in the Career and College and Early College High School student population, which have their tuition and fees waived. The College also experienced increases in public safety training, such as basic law enforcement, emergency medical technician, fire and corrections officer, which also have their fees waived. Operating grant revenues increased by \$136,085.30 or 29.39%. The College received a Golden Leaf grant for \$125,000.00 to support training tomorrow's machining workforce. Sales and Service revenue increased by 15.70% or \$28,744.63. Bookstore commission earned on eligible bookstore sales are included in sales and service revenue.

Nonoperating revenues, which include State and county appropriations as well as federal financial aid including Pell grant, increased 1.68 %, or \$325,038.47 when compared with the previous year.

State appropriations increased as the result of an enrollment increase in 2019 impacting funds available in 2020. County appropriation increased by a total of \$55,259.47. Noncapital grants and gifts declined by 3.08%. In 2019, the College received increased support from the College of The Albemarle Foundation in the form of student scholarships, direct college support funding and in-kind donations including an airplane valued at \$333,670.00. The decline in other revenues is due to a decline in bond expenditures in 2020. During 2020, the major NC Connect Bond project to build a Vital Records and Storage building was abandoned in the design phase as the College's priorities changed. The major project that was completed during 2020 was the ongoing phase roof replacement and repair on COA-Elizabeth City campus.

Operating expenses for the fiscal year 2020 increased by \$19,135.45 or .08%. Salary and benefits expenses increased by \$970,524.92 or 6.94%. During 2019-2020, both retirement and health insurance cost for full-time employees increased. Also, as part of the planned budget increase due to increased enrollment the College added four new positions to the budget for an additional salary cost of \$284,500. Other expenses for the College decreased by \$951,389.47 from the prior year. This is primarily due to the impact of the transition to online courses and remote work. The net overall impact to the College was a growth in net position from the prior year of \$267,829.35.

Economic Forecast

The College of The Albemarle is North Carolina's first community college, with four campuses across seven counties, excellent educational programs and a strong tradition in the Albemarle region. The economic outlook for the College of The Albemarle has entered a period of uncertainty as a result of the ongoing state of emergency caused by the COVID-19 pandemic. The College is anticipating an enrollment decline of 5% in the near term. Currently, most courses are being conducted online, and employees continue to work remotely with limited on-campus presence. While we are projecting a near-term enrollment decline, we are planning for enrollment to grow in the next 12 to 24 months. The College is projecting to see growth in the Currituck campus from the expansion from one building to three within the next 12 months. The College received legislative approval to collaborate with the County of Currituck to develop and build a new facility near the existing Regional Aviation and Technical Training Center in Barco. The facility will be owned by the County with a portion of the two additional structures being leased to the College. The College anticipates using that space for a regional training center for public safety education. The College also received legislative approval to collaborate with Dare County to build a new innovative campus at the current location of Old Manteo Middle School. The building and new programs are currently in the final planning stages.

The College of The Albemarle will continue to be a catalyst for transforming lives in the communities we serve.

Request for Information

Request for information should be addressed to the Chief Financial Officer, College of The Albemarle, 1208 N Road Street, PO Box 2327, Elizabeth City, NC 27909, (252)335-0821.

College of The Albemarle
Statement of Net Position
June 30, 2020

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 2,616,277.15
Restricted Cash and Cash Equivalents	110,678.41
Receivables, Net (Note 4)	221,563.25
Inventories	43,615.58
Prepaid Items	188,478.42
Total Current Assets	<u>3,180,612.81</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	727,753.62
Net Other Postemployment Benefits Asset	19,396.00
Capital Assets - Nondepreciable (Note 5)	1,836,007.36
Capital Assets - Depreciable, Net (Note 5)	<u>30,114,381.73</u>
Total Noncurrent Assets	<u>32,697,538.71</u>

Total Assets	<u>35,878,151.52</u>
--------------	----------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions (Note 12)	2,454,381.00
Deferred Outflows Related to Other Postemployment Benefits (Note 13)	<u>1,347,888.00</u>

Total Deferred Outflows of Resources	<u>3,802,269.00</u>
--------------------------------------	---------------------

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	488,913.20
Unearned Revenue	59,181.49
Funds Held for Others	76,302.99
Long-Term Liabilities - Current Portion (Note 7)	<u>173,777.90</u>
Total Current Liabilities	<u>798,175.58</u>

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	<u>19,519,125.08</u>
Total Noncurrent Liabilities	<u>19,519,125.08</u>

Total Liabilities	<u>20,317,300.66</u>
-------------------	----------------------

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions (Note 12)	10,846.00
Deferred Inflows Related to Other Postemployment Benefits (Note 13)	<u>5,607,115.00</u>

Total Deferred Inflows of Resources	<u>5,617,961.00</u>
-------------------------------------	---------------------

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

College of The Albemarle
Statement of Net Position
June 30, 2020

Exhibit A-1
Page 2 of 2

NET POSITION

Net Investment in Capital Assets	31,622,384.73
Restricted:	
Expendable:	
Student Financial Aid	167,363.67
Capital Projects	691,645.63
Other	7,478.24
Unrestricted	<u>(18,743,713.41)</u>
Total Net Position	<u><u>\$ 13,745,158.86</u></u>

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

College of The Albemarle
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2020

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 10)	\$ 1,797,252.87
Federal Grants and Contracts	369,162.59
State and Local Grants and Contracts	229,958.79
Sales and Services, Net (Note 10)	211,879.00
Other Operating Revenues	345.07
	<hr/>
Total Operating Revenues	2,608,598.32
	<hr/>

OPERATING EXPENSES

Salaries and Benefits	14,952,264.65
Supplies and Services	3,691,585.11
Scholarships and Fellowships	2,198,600.08
Utilities	559,999.07
Depreciation/Amortization	1,399,087.70
	<hr/>
Total Operating Expenses	22,801,536.61
	<hr/>
Operating Loss	(20,192,938.29)
	<hr/>

NONOPERATING REVENUES (EXPENSES)

State Aid	13,476,577.71
State Aid - Coronavirus Relief Fund	1,050.00
County Appropriations	2,607,178.81
Student Financial Aid	3,043,209.65
Federal Aid - COVID-19	116,000.00
Noncapital Contributions	358,168.03
Investment Income	10,754.83
Other Nonoperating Revenues (Expenses)	15,023.68
	<hr/>
Net Nonoperating Revenues	19,627,962.71
	<hr/>
Income (Loss) Before Other Revenues	(564,975.58)
	<hr/>
State Capital Aid	8,566.03
County Capital Aid	723,674.89
Capital Contributions	100,564.01
	<hr/>
Total Other Revenues	832,804.93
	<hr/>
Increase in Net Position	267,829.35
	<hr/>

NET POSITION

Net Position - July 1, 2019	13,477,329.51
	<hr/>
Net Position - June 30, 2020	\$ 13,745,158.86
	<hr/>

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

College of The Albemarle
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 2,631,406.11
Payments to Employees and Fringe Benefits	(15,113,960.17)
Payments to Vendors and Suppliers	(4,373,307.64)
Payments for Scholarships and Fellowships	(2,249,705.44)
Other Receipts (Payments)	<u>(5,436.21)</u>
Net Cash Provided (Used) by Operating Activities	<u>(19,111,003.35)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid	13,476,577.71
State Aid - Coronavirus Relief Fund	1,050.00
County Appropriations	2,607,178.81
Student Financial Aid	3,043,209.65
Federal Aid - COVID-19	116,000.00
Noncapital Contributions	<u>360,215.07</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>19,604,231.24</u>

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

State Capital Aid	40,586.03
County Capital Aid	723,674.89
Capital Contributions	100,564.01
Acquisition and Construction of Capital Assets	(853,605.88)
Principal Paid on Capital Debt and Leases	<u>(91,257.44)</u>
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	<u>(80,038.39)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	<u>10,754.83</u>
Net Cash Provided (Used) by Investing Activities	<u>10,754.83</u>
Net Increase (Decrease) in Cash and Cash Equivalents	423,944.33
Cash and Cash Equivalents - July 1, 2019	<u>3,030,764.85</u>
Cash and Cash Equivalents - June 30, 2020	<u><u>\$ 3,454,709.18</u></u>

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

College of The Albemarle
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (20,192,938.29)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation/Amortization Expense	1,399,087.70
Other Nonoperating Income (Expenses)	15,023.68
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(28,212.71)
Inventories	1,300.05
Prepaid Items	(97,225.27)
Net Other Postemployment Benefits Asset	(5,821.00)
Deferred Outflows Related to Pensions	646,070.00
Deferred Outflows Related to Other Postemployment Benefits	(657,026.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(56,827.22)
Unearned Revenue	(23.86)
Funds Held for Others	(20,459.89)
Net Pension Liability	224,676.00
Net Other Postemployment Benefits Liability	832,265.00
Compensated Absences	19,955.46
Deferred Inflows Related to Pensions	(41,270.00)
Deferred Inflows Related to Other Postemployment Benefits	(1,149,577.00)
Net Cash Used by Operating Activities	<u><u>\$ (19,111,003.35)</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$ 22,922.00
Increase in Receivables Related to Nonoperating Income	8,595.28

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

The College of The Albemarle Foundation, Inc.
Statement of Financial Position
June 30, 2020

Exhibit B-1

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Cash and Cash Equivalents	\$ 258,355.19	\$ -	\$ 258,355.19
Restricted Cash	1,462.57	1,014,702.11	1,016,164.68
Operating investments	2,042,389.57	46,932.41	2,089,321.98
Accounts Receivable	7,104.67	18,664.52	25,769.19
Property	571,100.01	-	571,100.01
Beneficial interest in perpetual trusts	-	160,504.69	160,504.69
Endowment Investments	-	5,265,031.33	5,265,031.33
Total Assets	<u>\$ 2,880,412.01</u>	<u>\$ 6,505,835.06</u>	<u>\$ 9,386,247.07</u>
LIABILITIES			
Accounts Payable	\$ 95.00	\$ 453.30	\$ 548.30
Total Liabilities	<u>95.00</u>	<u>453.30</u>	<u>548.30</u>
NET ASSETS			
Without Donor Restrictions:			
Undesignated	1,754,772.82	-	1,754,772.82
Designated by the Board	554,444.19	-	554,444.19
Invested in Property and Equipment	571,100.00	-	571,100.00
Total Without Donor Restrictions	2,880,317.01	-	2,880,317.01
With Donor Restrictions	-	6,505,381.76	6,505,381.76
Total Net Assets	<u>2,880,317.01</u>	<u>6,505,381.76</u>	<u>9,385,698.77</u>
Total Liabilities and Net Assets	<u>\$ 2,880,412.01</u>	<u>\$ 6,505,835.06</u>	<u>\$ 9,386,247.07</u>

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

The College of The Albemarle Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains			
Support:			
Contributions	\$ 67,989.96	\$ 443,934.79	\$ 511,924.75
In-kind contributions	6,245.82	-	6,245.82
Donated services	184,746.81	-	184,746.81
Donated equipment	-	13,508.16	13,508.16
Net investment returns	(165,047.72)	156,868.65	(8,179.07)
Other Revenues	544.56	1,405.10	1,949.66
Net assets released from restriction pursuant to endowment spending-rate distribution formula	179,293.78	(179,293.78)	-
Net assets released from restriction-Other	374,342.94	(374,342.94)	-
Total revenue, support, and gains	648,116.15	62,079.98	710,196.13
EXPENSES AND LOSSES			
Program expenses:			
Scholarships	324,016.60	-	324,016.60
College support	167,834.11	-	167,834.11
Total scholarships and college support	491,850.71	-	491,850.71
Supporting services expenses:			
Management and general	211,256.06	-	211,256.06
Fundraising and development	15,936.38	-	15,936.38
Total supporting services expenses	227,192.44	-	227,192.44
Total Expenses and Losses	719,043.15	-	719,043.15
Change in Net Assets	(70,927.00)	62,079.98	(8,847.02)
NET ASSETS			
Net Assets at Beginning of Year	2,951,244.01	6,443,301.78	9,394,545.79
Net Assets at End of Year	\$ 2,880,317.01	\$ 6,505,381.76	\$ 9,385,698.77

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

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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. College of The Albemarle 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 unit is discretely presented in the College's financial statements. See below for further discussion of the College's component unit.

Discretely Presented Component Unit – The College of The Albemarle Foundation, Inc. is a legally separate, nonprofit corporation and is reported as discretely presented component units based on the nature and significance of their relationship to the College.

The College of The Albemarle 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 a 23-member board consisting of 4 ex-officio directors and 19 elected directors. 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 College of The Albemarle 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, 2020, the Foundation distributed \$491,850.71 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the College's Business Office, 1208 N Road Street, P.O. Box 2327, Elizabeth City, NC 27909 or calling (252) 335-0821.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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

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

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

- E. Receivables** - Receivables consist of tuition and fees charged to students. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be 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 either first-in, first-out, last invoice cost, or average cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

- 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 except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater.

Depreciation and amortization are computed using the straight-line and/or units of output 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
Computer Software	2-30 years
Other Intangible Assets	2-100 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 principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes notes from direct borrowings and capital leases payable. Other long-term liabilities include: compensated absences, annuities payable, pollution remediation payable, asset retirement obligations, net pension liability, and net other postemployment benefits (OPEB) liability.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2019 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

See Note 12 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the College's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2019 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 13 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

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

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

- K. Deferred Outflows/Inflows of Resources** - Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.
- L. Net Position** - The College's net position is classified as follows:

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

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 9 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

- M. Scholarship Discounts** - Student tuition and fees revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.
- N. Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, state, and local grants and contracts.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

- O. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as the print shop. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- P. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

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 \$1,170.00, and deposits in private financial institutions with a carrying value of \$2,874,759.08 and a bank balance of \$3,081,689.94.

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.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2020, the College's bank balance in excess of federal depository insurance coverage was covered under 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, 2020, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$578,780.10, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2020. 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.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Component Unit – The Foundation deposits funds received into board-designated depositories. As of June 30, 2020, cash on hand was \$200.00. The carrying amount of cash on deposit was \$217,265.97 and the bank balance was \$218,409.06.

The cash on deposit with the State Treasurer was \$1,057,053.90 as of June 30, 2020 and is pooled with state agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool. These monies are invested in accordance with the General Statutes (147-69.1(c) and 147-69.2), and as required by law are "readily convertible into cash". All investments of the fund are held either by the Department of State Treasurer or its agent in the State's name. The fund's uninvested cash is either covered by federal depository insurance or, pursuant to 20 NCAC 7, is collateralized under either the dedicated or pooling method. Of the cash on deposit with private financial institutions at June 30, 2020, \$218,409.06 (100.00%) was covered by federal depository insurance.

Investments of the College's component unit, the College of The Albemarle Foundation are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements.

The following table presents the investments by type and investments subject to interest rate risk at June 30, 2020, for the College's component unit investments. Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*, as the risk a government may face should interest rate variances affect the value of investments. The College and the Foundation does not have a formal investment policy that addresses interest rate risk.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

The College of The Albemarle Foundation, Inc.

Investment Type	June 30, 2020			
	Market Value	Less Than 1 Year	Maturity (in Years)	
			1 to 5 Years*	6 to 10 Years*
<u>Debt Securities</u>				
U. S. Treasuries	\$ 550,644.53	\$ 6,506.14	\$ 544,138.39	\$ -
State & Local Gov't	226,880.40	135,000.00	91,880.40	-
Domestic Corporates	1,921,814.31	426,382.89	922,955.70	572,475.72
Sub-total Debt Sec.	2,699,339.24	\$ 567,889.03	\$ 1,558,974.49	\$ 572,475.72
<u>Other Securities</u>				
Cash	645,782.40			
Domestic Stocks	3,028,917.71			
Other (Index Shares)	1,140,818.65			
Total Investments	<u>\$ 7,514,858.00</u>			

Final maturities only as shown.
Many are callable at earlier dates

In addition to the interest rate risk disclosed above, the College's component unit's investments include investments with fair values highly sensitive to interest rate changes.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have a formal policy that addresses credit risk. As of June 30, 2020, the College's component unit's investments were rated as follows:

General Investment Portfolio

	Fair Value 6/30/2020	AAA	AA	A	BBB
US Treasuries	\$ 550,644.53	\$ 550,644.53	\$ -	\$ -	\$ -
State and Local Gov't	226,880.40	-	226,880.40	-	-
Domestic Corporates	1,921,814.31	-	344,245.16	798,078.62	779,490.53
Totals	<u>\$ 2,699,339.24</u>	<u>\$ 550,644.53</u>	<u>\$ 571,125.56</u>	<u>\$ 798,078.62</u>	<u>\$ 779,490.53</u>

Rating Agency : **Standard & Poor's**

NOTE 3 - FAIR VALUE MEASUREMENTS

College - To the extent available, the College's investments are recorded at fair value as of June 30, 2020. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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 \$578,780.10 were held in the STIF which is a Level 2 investment. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The College's position in the pool is measured and reported at fair value.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

COMPONENT UNIT

The following table summarizes the Foundations' investments, including the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2020:

June 30, 2020	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash and Bank Sweep	\$ 635,206.76	\$ 635,206.76	\$ -	\$ -
Short-Term Investment Funds	1,057,053.90	-	1,057,053.90	-
Exchange Traded Funds	1,053,408.20	1,053,408.20	-	-
Equities	3,028,917.71	3,028,917.71	-	-
Fixed income-US Treasury	528,695.42	528,695.42	-	-
Fixed income-Corporate Bonds	1,886,244.82	1,886,244.82	-	-
Fixed income-Municipal Bonds	221,880.40	221,880.40	-	-
Perpetual Trust-Modlin	160,504.69	160,504.69	-	-
Total	<u>\$ 8,571,911.90</u>	<u>\$ 7,514,858.00</u>	<u>\$ 1,057,053.90</u>	<u>\$ -</u>

Short-Term Investment Fund - At year-end the Foundation's investments valued at \$1,057,053.90 held in the STIF which is a Level 2 investment. Ownership interest of the STIF is 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.

Debt and Equity Securities - Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2020, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 136,559.80	\$ 71,961.43	\$ 64,598.37
Student Sponsors	47,144.31	-	47,144.31
Accounts	11,198.28	-	11,198.28
Intergovernmental	91,973.68	-	91,973.68
Other	6,648.61	-	6,648.61
Total Current Receivables	<u>\$ 293,524.68</u>	<u>\$ 71,961.43</u>	<u>\$ 221,563.25</u>

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 1,836,007.36	\$ -	\$ -	\$ 1,836,007.36
Construction in Progress	133,987.32	-	133,987.32	-
Total Capital Assets, Nondepreciable	1,969,994.68	-	133,987.32	1,836,007.36
Capital Assets, Depreciable:				
Buildings	42,162,399.93	271,242.17	-	42,433,642.10
Machinery and Equipment	5,200,976.99	525,649.90	-	5,726,626.89
General Infrastructure	967,139.94	62,483.18	33,720.52	995,902.60
Total Capital Assets, Depreciable	48,330,516.86	859,375.25	33,720.52	49,156,171.59
Less Accumulated Depreciation/Amortization for:				
Buildings	14,363,838.79	909,242.85	-	15,273,081.64
Machinery and Equipment	2,924,295.94	464,778.58	33,720.52	3,355,354.00
General Infrastructure	388,287.95	25,066.27	-	413,354.22
Total Accumulated Depreciation/Amortization	17,676,422.68	1,399,087.70	33,720.52	19,041,789.86
Total Capital Assets, Depreciable, Net	30,654,094.18	(539,712.45)	-	30,114,381.73
Capital Assets, Net	\$32,624,088.86	\$ (539,712.45)	\$ 133,987.32	\$31,950,389.09

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 101,148.65
Accounts Payable - Capital Assets	6,247.20
Accrued Payroll	357,049.49
Intergovernmental Payables	19,800.94
Other	4,666.92
Total Current Accounts Payable and Accrued Liabilities	\$ 488,913.20

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, is presented as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Long-Term Debt					
Capital Leases Payable	\$ 328,004.36	\$ 22,922.00	\$ 91,257.44	\$ 259,668.92	\$ 96,656.74
Total Long-Term Debt	328,004.36	22,922.00	91,257.44	259,668.92	96,656.74
Other Long-Term Liabilities					
Compensated Absences	502,545.60	456,523.96	436,568.50	522,501.06	77,121.16
Net Pension Liability	5,193,096.00	224,676.00	-	5,417,772.00	-
Net Other Postemployment Benefits Liability	12,660,696.00	832,265.00	-	13,492,961.00	-
Total Other Long-Term Liabilities	18,356,337.60	1,513,464.96	436,568.50	19,433,234.06	77,121.16
Total Long-Term Liabilities	\$ 18,684,341.96	\$ 1,536,386.96	\$ 527,825.94	\$ 19,692,902.98	\$ 173,777.90

Additional information regarding capital lease obligations is included in Note 8.

Additional information regarding the net pension liability is included in Note 12.

Additional information regarding the net other postemployment benefits liability is included in Note 13.

NOTE 8 - LEASE OBLIGATIONS

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

Fiscal Year	Amount
2021	\$ 104,204.40
2022	97,068.82
2023	36,617.04
2024	33,653.78
2025	2,502.00
Total Minimum Lease Payments	274,046.04
Amount Representing Interest (3.5% Rate of Interest)	14,377.12
Present Value of Future Lease Payments	\$ 259,668.92

The total cost of machinery and equipment acquired under capital leases amounted to \$361,986.00 at June 30, 2020.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled \$95,287.91 at June 30, 2020.

- B. Operating Lease Obligations** - The College entered into operating leases for maintenance equipment, parking lot use on the Dare Campus, and training facilities for public safety programs.

Rental expense for all operating leases during the year was \$10,339.77.

NOTE 9 - NET POSITION

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

	<u>Amount</u>
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (2,974,237.00)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(17,752,188.00)</u>
Effect on Unrestricted Net Position	(20,726,425.00)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	<u>1,982,711.59</u>
Total Unrestricted Net Position	<u><u>\$ (18,743,713.41)</u></u>

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

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectible	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	\$ 3,096,952.30	\$ 1,296,897.57	\$ 2,801.86	\$ 1,797,252.87
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	97,434.42	-	-	97,434.42
Print Shop	81,103.91	81,103.91	-	-
Performing Arts Center	27,436.18	-	-	27,436.18
COAST Players	29,457.90	-	-	29,457.90
Vending Commission	22,317.80	-	-	22,317.80
Other	35,232.70	-	-	35,232.70
Total Sales and Services, Net	\$ 292,982.91	\$ 81,103.91	\$ -	\$ 211,879.00

NOTE 11 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$ 8,105,577.93	\$ 994,050.04	\$ -	\$ -	\$ -	\$ 9,099,627.97
Academic Support	1,956,431.15	132,904.68	-	-	-	2,089,335.83
Student Services	1,501,763.10	205,564.34	-	-	-	1,707,327.44
Institutional Support	2,281,122.51	1,514,281.48	-	-	-	3,795,403.99
Operations and Maintenance of Plant	1,027,326.93	822,792.56	-	559,999.07	-	2,410,118.56
Student Financial Aid	34,819.03	-	2,198,600.08	-	-	2,233,419.11
Auxiliary Enterprises	45,224.00	21,992.01	-	-	-	67,216.01
Depreciation/ Amortization	-	-	-	-	1,399,087.70	1,399,087.70
Total Operating Expenses	\$ 14,952,264.65	\$ 3,691,585.11	\$ 2,198,600.08	\$ 559,999.07	\$ 1,399,087.70	\$ 22,801,536.61

Included in the scholarship and fellowship function are student financial aid operating expenses for emergency financial aid payments to eligible students. These payments are for expenses related to the disruption of campus operations due to the coronavirus of \$116,000.00 provided by the CARES Act – Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the College in providing the student awards, the related program activity is reported as nonoperating Federal Aid – COVID-19 revenue and student financial aid operating expenses.

Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 10.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 - PENSION PLANS

Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2020 was 12.97% of covered payroll. Employee contributions to the pension plan were \$549,541.00, and the College's contributions were \$1,187,923.00 for the year ended June 30, 2020.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2019 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina are the sole participants in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2019 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2020, the College reported a liability of \$5,417,772.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total pension liability to June 30, 2019. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2019, the College's proportion was .05226%, which was an increase from its proportion measured as of June 30, 2018, which was .05216%.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2018
Inflation	3.00%
Salary Increases*	3.50% - 8.10%
Investment Rate of Return**	7.00%

* Salary increases include 3.5% inflation and productivity factor.

** Investment rate of return includes inflation assumption and is net of pension plan investment expense.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2018 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (the valuation date) are summarized in the following table:

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

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2019 is 1.4%.

Discount Rate: The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2018 valuation. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2019 calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

Net Pension Liability		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 10,311,527.00	\$ 5,417,772.00	\$ 1,312,535.00

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2020, the College recognized pension expense of \$2,016,513.00.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Employer Balances of Deferred Outflows of Resources and Deferred Inflows of
Resources Related to Pensions by Classification:**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 453,190.00	\$ 10,846.00
Changes of Assumptions	577,285.00	-
Net Difference Between Projected and Actual Earnings on Plan Investments	103,851.00	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	132,132.00	-
Contributions Subsequent to the Measurement Date	1,187,923.00	-
Total	\$ 2,454,381.00	\$ 10,846.00

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

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

Year Ended June 30:	Amount
2021	\$ 854,115.00
2022	238,512.00
2023	126,655.00
2024	36,330.00
2025	-
Total	\$ 1,255,612.00

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

The College participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2019 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

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

Methods Used to Value Plan Investments: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2019 *Comprehensive Annual Financial Report*.

B. Plan Descriptions

1. Health Benefits

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

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

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

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

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The College's contractually-required contribution rate for the year ended June 30, 2020 was 6.47% of covered payroll. The College's contributions to the RHBF were \$592,588.00 for the year ended June 30, 2020.

2. Disability Income

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

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The College's contractually-required contribution rate for the year ended June 30, 2020 was 0.10% of covered payroll. The College's contributions to DIPNC were \$9,159.00 for the year ended June 30, 2020.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2020, the College reported a liability of \$13,492,961.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2019. The College's proportion of the net OPEB liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2019, the College's proportion was .04265%, which was decrease from its proportion measured as of June 30, 2018, which was .04444%.

Net OPEB Asset: At June 30, 2020, the College reported an asset of \$19,396.00 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2019. The College's proportion of the net OPEB asset was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2019, the College's proportion was .04495%, which was increase from its proportion measured as of June 30, 2018, which was .04469%.

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

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2018	12/31/2018
Inflation	3.00%	3.00%
Salary Increases*	3.50% - 8.10%	3.50% - 8.10%
Investment Rate of Return**	7.00%	3.75%
Healthcare Cost Trend Rate - Medical	6.50% grading down to 5.00% by 2024	6.50% grading down to 5.00% by 2024
Healthcare Cost Trend Rate - Prescription Drug	9.50% grading down to 5.00% by 2028	9.50% grading down to 5.00% by 2028
Healthcare Cost Trend Rate - Medicare Advantage	6.50% grading down to 5.00% by 2024	N/A
Healthcare Cost Trend Rate - Administrative	3.00%	N/A

* Salary increases include 3.5% inflation and productivity factor.

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

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2019.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2019 (the valuation date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2019 is 1.4%.

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

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

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

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

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

The actuarial assumptions used in the December 31, 2018 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2014, as amended for updates to certain assumptions (such as the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.50%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019.

The discount rate used to measure the total OPEB liability for DIPNC was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Net OPEB Liability (Asset)			
	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
RHBF	\$ 16,034,502.00	\$ 13,492,961.00	\$ 11,457,915.00
	<u>1% Decrease (2.75%)</u>	<u>Current Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
DIPNC	\$ (16,262.00)	\$ (19,396.00)	\$ (22,280.00)

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

Net OPEB Liability (Asset)			
	1% Decrease (Medical - 4.00% - 5.50%, Pharmacy - 4.00% - 8.50%, Med. Advantage - 4.00% - 5.50%, Administrative - 2.00%)	Current Healthcare Cost Trend Rates (Medical - 5.00% - 6.50%, Pharmacy - 5.00% - 9.50%, Med. Advantage - 5.00% - 6.50%, Administrative - 3.00%)	1% Increase (Medical - 6.00% - 7.50%, Pharmacy - 6.00% - 10.50%, Med. Advantage - 6.00% - 7.50%, Administrative - 4.00%)
RHBF	\$ 11,110,423.00	\$ 13,492,961.00	\$ 16,625,598.00
	1% Decrease (Medical - 4.00% - 5.50%, Pharmacy - 4.00% - 8.50%)	Current Healthcare Cost Trend Rates (Medical - 5.00% - 6.50%, Pharmacy - 5.00% - 9.50%)	1% Increase (Medical - 6.00% - 7.50%, Pharmacy - 6.00% - 10.50%)
DIPNC	\$ (19,430.00)	\$ (19,396.00)	\$ (19,364.00)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2020, the College recognized OPEB contra-expense of (\$398,746) for RHBF and expense of \$20,341 for DIPNC. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ -	\$ 19,814.00	\$ 19,814.00
Changes of Assumptions	648,535.00	2,149.00	650,684.00
Net Difference Between Projected and Actual Earnings on Plan Investments	8,985.00	3,694.00	12,679.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	58,764.00	4,200.00	62,964.00
Contributions Subsequent to the Measurement Date	592,588.00	9,159.00	601,747.00
Total	\$ 1,308,872.00	\$ 39,016.00	\$ 1,347,888.00

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

**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	\$ 680,215.00	\$ -	\$ 680,215.00
Changes of Assumptions	4,056,576.00	1,990.00	4,058,566.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	<u>868,334.00</u>	<u>-</u>	<u>868,334.00</u>
Total	<u><u>\$ 5,605,125.00</u></u>	<u><u>\$ 1,990.00</u></u>	<u><u>\$ 5,607,115.00</u></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 ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

<u>Year Ended June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2021	\$ (1,492,019.00)	\$ 9,805.00
2022	(1,492,019.00)	6,092.00
2023	(1,490,719.00)	4,589.00
2024	(419,888.00)	3,060.00
2025	5,804.00	4,033.00
Thereafter	<u>-</u>	<u>288.00</u>
Total	<u><u>\$ (4,888,841.00)</u></u>	<u><u>\$ 27,867.00</u></u>

NOTE 14 - RISK MANAGEMENT

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

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

A. Public Entity Risk Pool

Public School Insurance Fund

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

B. Employee Benefit Plans

1. State Health Plan

College employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer contributions. Certain plans also require contributions from employees. The Plan has contracted with third parties to process claims. See Note 13, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers who enroll in the Teachers' and State Employees' Retirement System. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.16% for the current fiscal year.

3. Disability Income Plan

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

C. Other Risk Management and Insurance Activities

1. Automobile

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

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$2,000,000 per claim and \$10,000,000 in the aggregate per fiscal year via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$100,000 deductible. Employees paid in whole or in part from institutional or county funds are covered under a private insurance. The coverage limit is \$100,000 per occurrence and the deductible is \$1,000.

Statewide Workers' Compensation Program

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

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

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 15 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. At June 30, 2020 there were no outstanding commitments on construction contracts.
- B. Pending Litigation and Claims** - The College is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. College management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the College.
- C. Contingencies**- Federally-funded financial aid programs and emergency federal are subject to special audits. Such audits could result in claims against the resources of the College.

NOTE 16 - THE CORONAVIRUS PANDEMIC EMERGENCY

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

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act included various relief and recovery aid programs to address COVID-19 expenses and the costs incurred and revenue lost due to the actions taken to reduce the spread of COVID-19. For the College, these programs included (1) the Coronavirus Relief Fund (CRF) administered by the U.S. Department of Treasury and made available directly to state and local governments, (2) the Higher Education Emergency Relief Fund (HEERF) administered by the U.S. Department of Education and made available directly to universities and colleges, and (3) additional funding for the Disaster Relief Fund (DRF) administered by the Federal Emergency Management Agency (FEMA).

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

Nonoperating Revenue:

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

Federal Aid - COVID-19 - This caption includes funds received from the CARES Act, other than the CRF funds appropriated in House Bill 1043, and the FEMA DRF funds, as follows:

The HEERF funds provided include: (1) a student allocation to provide for emergency financial aid grants to students for expenses related to the disruption of campus operations due to COVID-19, (2) an institutional allocation to cover costs associated with significant changes to the delivery of instruction due to COVID-19 including the recovery of revenue lost due to those changes. The HEERF funds must be expended within one year of the grant award notification date.

The FEMA DRF funds are provided for emergency protective measures and related management costs related to the COVID-19 emergency and are ongoing throughout the emergency event.

COLLEGE OF THE ALBEMARLE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

Program	Total Authorized Award	Earned Revenue
State Aid - Coronavirus Relief Fund:		
CRF - Community College System Office Allocations	\$ 135,428.00	\$ 1,050.00
Total State Aid - Coronavirus Relief Fund	N/A	<u>\$ 1,050.00</u>
Federal Aid - COVID-19:		
HEERF - Student Allocation	\$ 454,857.00	\$ 116,000.00
HEERF - Institutional Allocation (1)	454,857.00	-
HEERF - Additional Award	44,981.00	-
Total Federal Aid - COVID-19	N/A	<u>\$ 116,000.00</u>

(1) While the HEERF Institutional Portion is accounted for and recognized independently from the HEERF Student Portion, the CARES Act has a "Use of Funds" requirement that no less than 50% of the total HEERF Student and Institutional Portion funds must be used for emergency financial aid grants to students. This "Use of Funds" limitation is a contingency that limits the revenue recognized from the institutional portion to amounts spent and recognized for the student portion. Thus the College will only permit expenditures from the institutional portion to be less than or equal to the expenditures from the student portion. The institution believes that the "Use of Funds" requirement will be fully met by the end of the program.

NOTE 17 - SUBSEQUENT EVENTS

The College has evaluated subsequent events through December 4, 2020, which is the date the financial statements were available to be issued.

NOTE 18 - AUDIT HOURS AND COSTS

The audit required 192 audit hours at a cost of \$22,000. The cost represents 0.06% of the College's total assets and 0.10% of the total expenses subject to audit.

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

Exhibit C-1

Teachers' and State Employees' Retirement System	2020	2019	2018	2017
Proportionate Share Percentage of Collective Net Pension Liability	0.05226%	0.05216%	0.05287%	0.08394%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 5,417,772.00	\$ 5,193,096.00	\$ 4,194,939.00	\$ 4,957,643.00
Covered Payroll	\$ 8,963,593.65	\$ 8,667,102.13	\$ 8,462,910.41	\$ 8,269,994.42
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	60.44%	59.92%	49.57%	59.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.56%	87.61%	89.51%	87.32%
	2016	2015	2014	
Proportionate Share Percentage of Collective Net Pension Liability	0.05461%	0.05475%	0.05551%	
Proportionate Share of TSERS Collective Net Pension Liability	\$ 2,012,487.00	\$ 641,900.00	\$ 3,370,023.00	
Covered Payroll	\$ 8,159,573.15	\$ 9,390,352.31	\$ 8,409,901.30	
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	24.66%	6.84%	40.07%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%	

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

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

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

Exhibit C-2

Teachers' and State Employees' Retirement System	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 1,187,923.17	\$ 1,101,625.66	\$ 935,391.61	\$ 844,599.00	\$ 756,704.49
Contributions in Relation to the Contractually Determined Contribution	1,187,923.17	1,101,625.66	935,391.61	844,599.00	756,704.49
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 9,159,006.72	\$ 8,963,593.65	\$ 8,677,102.13	\$ 8,462,910.41	\$ 8,269,994.42
Contributions as a Percentage of Covered Payroll	12.97%	12.29%	10.78%	9.98%	9.15%
	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 745,784.99	\$ 719,552.95	\$ 700,544.76	\$ 607,472.10	\$ 413,376.22
Contributions in Relation to the Contractually Determined Contribution	745,784.99	719,552.95	700,544.76	607,472.10	413,376.22
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 8,159,573.15	\$ 8,280,241.31	\$ 8,409,901.03	\$ 8,164,947.64	8,384,913.14
Contributions as a Percentage of Covered Payroll	9.14%	8.69%	8.33%	7.44%	4.93%

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

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

Changes of Benefit Terms:

	<u>Cost of Living Increase</u>									
Teachers' and State Employees' Retirement System	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	2.20%

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

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

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

N/A - Not Applicable

College of The Albemarle
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Four Fiscal Years*

Exhibit C-3

Retiree Health Benefit Fund	2020	2019	2018	2017
Proportionate Share Percentage of Collective Net OPEB Liability	0.04265%	0.04444%	0.04441%	0.04597%
Proportionate Share of Collective Net OPEB Liability	\$ 13,492,961.00	\$ 12,660,696.00	\$ 14,556,242.00	\$ 19,998,513.00
Covered Payroll	\$ 8,963,593.65	\$ 8,677,102.13	\$ 8,462,910.41	\$ 8,269,994.42
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	150.53%	145.91%	172.00%	241.82%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina				
Proportionate Share Percentage of Collective Net OPEB Asset	0.04495%	0.04469%	0.04752%	0.04707%
Proportionate Share of Collective Net OPEB Asset	\$ 19,396.00	\$ 13,575.00	\$ 27,944.00	\$ 29,230.00
Covered Payroll	\$ 8,963,593.65	\$ 8,677,102.13	\$ 8,462,910.41	\$ 8,269,994.42
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.22%	0.16%	0.33%	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 ending June 30.

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

Exhibit C-4

Retiree Health Benefit Fund	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 592,587.73	\$ 562,017.32	\$ 524,964.68	\$ 491,281.74	\$ 463,119.68
Contributions in Relation to the Contractually Determined Contribution	592,587.73	562,017.32	524,964.68	491,281.74	463,119.68
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 9,159,006.72	\$ 8,963,593.65	\$ 8,677,102.13	\$ 8,462,910.41	\$ 8,269,994.42
Contributions as a Percentage of Covered Payroll	6.47%	6.27%	6.05%	5.81%	5.60%
	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 449,960.57	\$ 447,133.03	\$ 445,724.75	\$ 408,247.38	\$ 410,860.74
Contributions in Relation to the Contractually Determined Contribution	449,960.57	447,133.03	445,724.75	408,247.38	410,860.74
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 8,159,573.15	\$ 8,280,241.31	\$ 8,409,901.03	\$ 8,164,947.64	\$ 8,384,913.14
Contributions as a Percentage of Covered Payroll	5.51%	5.40%	5.30%	5.00%	4.90%
Disability Income Plan of North Carolina	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 9,159.01	\$ 12,549.03	\$ 12,147.97	\$ 32,159.06	\$ 33,906.98
Contributions in Relation to the Contractually Determined Contribution	9,159.01	12,549.03	12,147.97	32,159.06	33,906.98
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 9,159,006.72	\$ 8,963,593.65	\$ 8,677,102.13	\$ 8,462,910.41	\$ 8,269,994.42
Contributions as a Percentage of Covered Payroll	0.10%	0.14%	0.14%	0.38%	0.41%
	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 33,454.25	\$ 36,433.06	\$ 37,003.56	\$ 42,547.73	\$ 43,601.55
Contributions in Relation to the Contractually Determined Contribution	33,454.25	36,433.06	37,003.56	42,547.73	43,601.55
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 8,159,573.15	\$ 8,280,241.31	\$ 8,409,901.03	\$ 8,164,947.64	\$ 8,384,913.14
Contributions as a Percentage of Covered Payroll	0.41%	0.44%	0.44%	0.52%	0.52%

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

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

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

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

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

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

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

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

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

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



S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

**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
College of The Albemarle
Elizabeth City, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of College of The Albemarle (the "College") , a component unit of the State of North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 4, 2020. Our report includes a reference to other auditors who audited the financial statements of The College of the Albemarle Foundation, Inc. (the "Foundation"), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Governmental Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

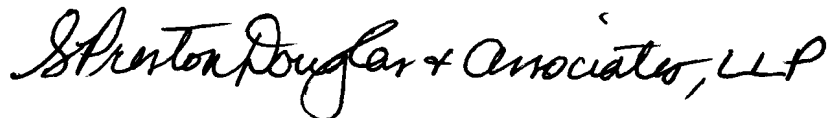
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Stanton Douglas & Associates, LLP". The signature is written in a cursive, flowing style.

Lumberton, North Carolina
December 4, 2020