



SOUTHEASTERN COMMUNITY COLLEGE

WHITEVILLE, NORTH CAROLINA

FINANCIAL STATEMENT

UNAUDITED REPORT

FOR THE YEAR ENDED JUNE 30, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

**SOUTHEASTERN COMMUNITY COLLEGE
JUNE 30, 2019**

This section of Southeastern Community College's Financial Statement Audit Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2019, with comparative data from fiscal year ended June 30, 2018. Since this discussion and analysis is designed to focus on current year activities, resulting change, and currently known facts, please read it in conjunction with the College's basic financial statements and the Notes to the Financial Statements. Responsibility for the completeness and fairness of this information rests with the College.

Financial Statement Presentation

This annual report consists of financial statements prepared in accordance with the Governmental Accounting Standards Board (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 College's basic financial statements format presents financial information in a form that emulates corporate presentation. The statements are prepared under the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Also, the College discretely presents one component unit based on the nature and significance of its relationship to the College. Note 1A provides detailed information on the College's financial reporting entity. The full scope of the College's activities is considered to be a single business-type activity and is reported in a single column on the statements.

The Statement of Net Position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (total assets plus deferred outflows of resources minus total liabilities and deferred inflows of resources) of the College. This statement provides a fiscal snapshot of the College's financial position as of June 30, 2019. The data provides readers of this statement information on assets available to continue operations; amounts due to vendors and lending institutions; and the net position available to the College for operations.

The Statement of Revenues, Expenses, and Changes in Net Position reports revenues earned and expenses incurred during the fiscal year. Although state and county appropriations are required to be reported as nonoperating revenues, these revenue sources are used to cover operating expenses.

The Statement of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital and related financing, noncapital financing, and investing activities. The statement provides a reconciliation of beginning cash balances to ending cash balances and is representative of the activity reported on the Statement of Revenues, Expenses, and Changes in Net Position as adjusted for changes in the beginning and ending balance of noncash accounts on the Statement of Net Position.

Condensed Statement of Net Position

The following table summarizes and compares condensed balances as reported on the College's Statement of Net Position as of June 30, 2019 and June 30, 2018.

For Year Ended June 30, as Indicated

	2019	2018	Increase (Decrease)	Percentage Change
Assets				
Current Assets	\$ 4,262,924.89	\$ 3,636,082.49	\$ 626,842.40	17.24%
Capital Assets, Net	23,217,809.55	20,622,862.02	2,594,947.53	12.58%
Other Noncurrent Assets	447,554.76	441,024.48	6,530.28	1.48%
Total Assets	27,928,289.20	24,699,968.99	3,228,320.21	13.07%
Deferred Outflows Related to Pensions	3,309,030.68	2,522,399.28	786,631.40	31.19%
Deferred Outflows Related to OPEB	862,909.00	620,357.00	242,552.00	39.10%
Total Deferred Outflows of Resources	4,171,939.68	3,142,756.28	1,029,183.40	32.75%
Liabilities				
Current Liabilities	1,737,187.20	987,536.94	749,650.26	75.91%
Long-Term Liabilities	20,128,900.75	20,955,167.06	(826,266.31)	-3.94%
Total Liabilities	21,866,087.95	21,942,704.00	(76,616.05)	-0.35%
Deferred Inflows Related to Pensions	75,273.00	210,536.00	(135,263.00)	-64.25%
Deferred Inflows Related to OPEB	6,958,092.00	5,501,309.00	1,456,783.00	26.48%
Total Deferred Inflows of Resources	7,033,365.00	5,711,845.00	1,321,520.00	23.14%
Net Position				
Net Investment in Capital Assets	23,158,257.43	20,532,283.14	2,625,974.29	12.79%
Restricted	958,642.18	945,592.23	13,049.95	1.38%
Unrestricted	(20,916,123.68)	(21,289,699.10)	373,575.42	-1.75%
Total Net Position	\$ 3,200,775.93	\$ 188,176.27	\$ 3,012,599.66	-1600.95%

During the current fiscal year, total assets increased by \$3.23 million, deferred outflows related to pensions increased by \$786,631, deferred outflows related to OPEB increased by \$242,552, and total liabilities decreased by \$76,616. Deferred inflows related to pensions decreased by \$135,263, deferred inflows related to OPEB increased by \$1.46 million, and net position increased \$3.01 million.

The increase in current assets of \$626,842 was due to the increase in receivables related to construction projects for renovations and an addition to the technology building. The increase in net capital assets of \$2.59 million is discussed in detail in the capital asset section below.

Current liabilities increased \$749,650 due primarily to the \$449,370 increase in accounts payable-capital assets and increases in accounts payable, accrued payroll and intergovernmental payables.

Net investment in capital assets represents the College's total investment in capital assets, net of outstanding liabilities related to those capital assets. The majority of the decrease in this account was due to the increase in capital assets as discussed in the capital asset section below.

The College reported long-term liabilities of \$20.13 million as of June 30, 2019. This balance consists of accrued vacation/bonus leave, a capital lease agreement for telecommunication equipment, net pension liability, and net OPEB liability. Long-term liabilities decreased by \$826,266. The majority of the decrease was due to the increase in the net pension and the decrease net other postemployment benefit liabilities. The College's proportionate share of the Teachers' and State Employees' pension liability is recorded as a long-term liability as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). For 2019, the College's share increased \$1.08 million due to a change in actuarial assumptions and the recognition of differences between projected and actual pension plan investment earnings generated from the pension plan. The College's proportionate share of the Retiree Health Benefit Fund (other postemployment benefit associated with TSERS) is recorded as a long-term liability as required by GASB 75. This GASB standard was implemented in 2018 and the decrease of \$1.96 million was due to changes in actuarial assumptions during the current fiscal year. See Note 7 of the Notes to the Financial Statements for more information about the College's long-term liabilities.

Deferred Outflows/Inflows Related to Pensions

As a cost-sharing employer in the Teachers' and State Employees' Retirement System (TSERS), the College is required by GASB 68, to report a net pension liability, deferred outflows and inflows of resources, as well as a pension expense based on the employer's proportionate share of the aggregated net pension liability of all participating employers in the plan.

In the current year, the net adjustment to deferred outflows of resources, deferred inflows of resources, and noncurrent liabilities was recorded as a current pension expense. The pension expense reflects the College's portion of net pension liability adjusted for changes in investments, actuarial tables, and TSERS percentage of membership in the NC State Retirement System as a whole.

Deferred outflows of resources are outflows that take place during the current fiscal year, but relate to future time periods. As with all other transactions recorded in fiscal year 2019 related to GASB 68, the College's deferred outflows and inflows of resources for pensions were determined by actuaries and audited by the North Carolina Office of the State Auditor. Deferred outflows related to pensions decreased 31.19%, or \$786,631. As stated in the Condensed Statement of Net Position, deferred inflows related to pensions decreased \$135,263 from the prior year. The reduction is primarily due to a change in actuarial assumptions during the plan year. See Note 12 of the Notes to the Financial Statements for more information about the College's deferred outflows and inflows related to pensions.

Change in Accounting Procedure for GASB 75

The College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) for the fiscal year 2018 financial statements. This statement resulted in a much larger net liability for the College than what was seen under GASB 68. The primary objective of this Statement is to improve accounting and financial reporting by the College for other postemployment benefits (OPEB). This new standard prescribes methods and assumptions for recognizing and measuring liabilities, deferred outflows

MANAGEMENT'S DISCUSSION AND ANALYSIS

and inflows of resources, and expenses related to OPEB. The College's deferred inflows related to other postemployment benefits were \$6.96 million at June 30, 2019. This recorded balance was due to the result of differences between actual and expected experience, changes in proportion and differences between the College's contributions and proportionate share of contributions, and changes in actuarial assumptions performed every five years. See Note 13 of the Notes to the Financial Statements for more information about the College's deferred outflows and inflows related to other postemployment benefits.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of the College's operations. A condensed statement with prior year comparative figures is presented below:

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For Year Ended June 30, as Indicated

	2019	2018	Increase (Decrease)	Percentage Change
Revenues:				
Operating Revenues				
Student Tuition and Fees, Net	\$ 1,043,792.37	\$ 936,673.39	\$ 107,118.98	11.44%
Sales and Services and Other, Net	479,480.07	518,786.04	(39,305.97)	-7.58%
Nonoperating Revenues:				
State Aid	11,443,815.72	11,474,881.17	(31,065.45)	-0.27%
County Appropriations	1,385,300.00	1,344,951.00	40,349.00	3.00%
Noncapital Grants and Gifts	5,496,366.63	5,449,925.64	46,440.99	0.85%
Investment Income	52,219.11	36,068.68	16,150.43	44.78%
Other Revenues:				
Capital Aid	4,302,616.52	1,103,440.11	3,199,176.41	289.93%
Total Revenues	<u>24,203,590.42</u>	<u>20,864,726.03</u>	<u>3,338,864.39</u>	<u>16.00%</u>
Expenses:				
Operating Expenses				
Salaries and Benefits	13,787,010.62	14,165,098.36	(378,087.74)	-2.67%
Supplies and Materials	1,774,168.41	1,878,029.89	(103,861.48)	-5.53%
Services	2,381,802.43	1,805,081.96	576,720.47	31.95%
Scholarships and Fellowships	1,949,527.37	1,624,071.24	325,456.13	20.04%
Utilities	318,296.08	294,604.24	23,691.84	8.04%
Depreciation	785,028.63	739,726.10	45,302.53	6.12%
Nonoperating Expenses				
Other Nonoperating Expenses	195,157.22	115,353.87	79,803.35	69.18%
Total Expenses	<u>21,190,990.76</u>	<u>20,621,965.66</u>	<u>569,025.10</u>	<u>2.76%</u>
Increase in Net Position	<u>3,012,599.66</u>	<u>242,760.37</u>	<u>2,769,839.29</u>	<u>1140.98%</u>
Net Position - Beginning of Year	<u>188,176.27</u>	<u>(54,584.10)</u>	<u>242,760.37</u>	
Restatement		0.00		
Net Position - End of Year	<u>\$ 3,200,775.93</u>	<u>\$ 188,176.27</u>	<u>\$ 3,012,599.66</u>	

Analysis of Statement of Revenues, Expenses, and Changes in Net Position Comparison

The Statement of Revenues, Expenses, and Changes in Net Position reflect an increase in net position of \$3.01 from prior year. Some highlights of the changes are as follows:

The increase in operating revenues of \$67,813 was due to an increase in student tuition and fees receipts and a decrease in sales and service revenue during fiscal year 2019. Enrolled credit hours increased by 2.92% during fiscal year 2019, while profit margin of sales and service decreased slightly.

Nonoperating revenues increased by \$71,875 due primarily to an increase in county appropriations and noncapital grants and gifts and a decrease in state aid.

Capital aid increased \$3.20 million as a result of the College receiving funds from the state bond project for the renovations and addition to campus buildings. The current bond project is expected to be complete by the end of fiscal year 2020.

Operating expenses increased \$489,222 for fiscal year 2019. Salary and benefits decreased by \$378,088 as the result of a \$491,094 decrease in pension expense recognized during the current fiscal year and salary increases of \$113,006. Services expense increased by \$576,720 and scholarships expense increased by \$325,456.

Capital Assets

At June 30, 2019, the College reported \$33.17 million in capital assets less \$9.95 million in accumulated depreciation for net capital assets of \$23.22 million.

The following schedule reports capital assets for the fiscal years 2019 and 2018, net of accumulated depreciation.

	2019	2018	Increase (Decrease)	Percentage Change
Land	\$ 974,533.85	\$ 974,533.85	\$ 0.00	0.00%
Construction in Progress	3,364,300.37	517,462.17	2,846,838.20	550.15%
Buildings, Net	14,090,855.32	14,285,709.04	(194,853.72)	-1.36%
Machinery and Equipment, Net	4,134,904.35	4,276,979.75	(142,075.40)	-3.32%
General Infrastructure, Net	653,215.66	568,177.21	85,038.45	14.97%
Totals	<u>\$ 23,217,809.55</u>	<u>\$ 20,622,862.02</u>	<u>\$ 2,594,947.53</u>	12.58%

Capital assets, net, increased by \$2.59 million due to several factors. The College purchased machinery and equipment at a cost of \$433,877 during the year. This increase was offset by the increase in accumulated depreciation of \$394,141 and the disposal of machinery and equipment with a net carrying value of \$85,794. Construction in progress increased by \$2.96 million due to the renovations on three campus buildings and the addition to one of the buildings. General infrastructure, net, increased by \$85,038 due to the completion of the paving project.

Growth/Economic Factors

The College is committed to providing high quality, accessible educational programs, training, and services to enable Columbus County's current and future workforce to acquire the knowledge and skills necessary to obtain and maintain prosperous career opportunities which will enhance their quality of life. To meet these goals and to meet the diverse needs of local employers and employees, both the Academic Affairs Division and the Workforce and Community Development Division strive to provide relevant and rigorous programs of study and training.

The Academic Affairs Division (Division) continues to work to maintain and improve instructional excellence and add new programs and options to serve students and the community. The Division implemented a new program in Agribusiness Technology in 2019. The division also created two-year schedules for the A.A.S. programs. These two-year schedules allow students to better plan their life activities. The Division also worked to serve more students by increasing Career & College Promise enrollment with both Whiteville City Schools and Columbus County Schools. Internally, the Division created the Dean of Academic Affairs position, with the goal of providing stronger support for leading and managing activities that improve and expand student learning. The Division has expanded its focus on the continuous improvement of student learning outcomes. Finally, the Division has been busy planning and adjusting to construction in three of the buildings on campus.

The Workforce and Community Development Division (Division) continuously strives to provide quality instructional opportunities for individuals seeking to gain new and/or upgrade current job-related skills. Training programs can be delivered as a single course or bundled as a series of courses; and provides instruction around skill competencies that lead to a recognized credential (licensure, certification, renewal, registry listing) and/or meets local workforce labor needs. Collaboration and partnerships are essential in the design and implementation of effective short-term workforce development training opportunities for citizens of Columbus County. The Division worked collaboratively with 3 community colleges and a local financial industry to develop and deploy a new career pathway - Client Service (Call Center) Associate. Additional training and services provided by the Division to meet the needs of both employers and job-seekers include: customized training programs tailored to address the individual training needs of local industry; personal interest/development courses; a full complement of programs and services offered through the Small Business Center designed to increase the success rate and number of viable small businesses in Columbus County; basic skills preparation and testing for individuals pursuing their high school equivalency diploma; and a partnership with the Columbus County NC Works Career Center that provides ready access to employment and training resources to provide employers with dependable, qualified employees, thus creating a strong local economy.

The Student Services Division (Division) has played a key role in the colleges' efforts to increase enrollment and retain students. The Division has led the expansion of Aviso software to enable faculty advisors and student success coaches to better track and maintain communications with students to improve student retention to include Career and College Promise and Cooperative Innovative high school students. It continues to play a key role in outreach efforts to enable traditional students and parents to learn about Southeastern Community College and its programs and services. The division also provides outreach to non-traditional students seeking opportunities available at the college. The Division has focused on building strong connections with students to include the first and second year students in the Southeastern Community

MANAGEMENT'S DISCUSSION AND ANALYSIS

College Success Scholarship program, which provides free tuition and fees to recent high school graduates in Columbus County who meet certain qualifications. Internally, the Financial Aid Office has improved its interaction with the admissions process and its focus on customer service. The Financial Aid Office has improved communications with students receiving financial aid and has created an educational program for those students to assist them with understanding the requirements to maintain Satisfactory Academic Progress (SAP) in order to maintain eligibility for financial aid. Student Services also partnered with Academic Affairs to improve the advising process along with continuing to improve processes for residency determination, nonpayment removal, president's and dean's list, graduation information, college recruitment on campus and the never attend workflow. Finally, the Division provided many additional services and events to reach out to students and make Southeastern Community College their college of choice.

FINANCIAL STATEMENTS



Southeastern Community College
Statement of Net Position
June 30, 2019

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,456,563.25
Restricted Cash and Cash Equivalents	1,025,080.56
Receivables, Net (Note 4)	525,435.04
Due from Primary Government	72.48
Due from Community College Component Units	539,859.64
Inventories	500,565.85
Prepaid Items	215,348.07
Total Current Assets	<u>4,262,924.89</u>

Noncurrent Assets:

Restricted Due from Primary Government	0.89
Other Investments	432,730.87
Net Other Postemployment Benefits Asset	14,823.00
Capital Assets - Nondepreciable (Note 5)	4,338,834.22
Capital Assets - Depreciable, Net (Note 5)	18,878,975.33
Total Noncurrent Assets	<u>23,665,364.31</u>

Total Assets	<u>27,928,289.20</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	3,309,030.68
Deferred Outflows Related to Other Postemployment Benefits (Note 13)	862,909.00
Total Deferred Outflows of Resources	<u>4,171,939.68</u>

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	1,170,157.74
Due to Primary Government	6,329.50
Unearned Revenue	102,528.38
Funds Held for Others	350,108.82
Long-Term Liabilities - Current Portion (Note 7)	108,062.76
Total Current Liabilities	<u>1,737,187.20</u>

Noncurrent Liabilities:

Long-Term Liabilities, Net (Note 7)	<u>20,128,900.75</u>
Total Noncurrent Liabilities	<u>20,128,900.75</u>
Total Liabilities	<u>21,866,087.95</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	75,273.00
Deferred Inflows Related to Other Postemployment Benefits (Note 13)	6,958,092.00
Total Deferred Inflows of Resources	<u>7,033,365.00</u>

Southeastern Community College
Statement of Net Position
June 30, 2019

Exhibit A-1
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NET POSITION

Net Investment in Capital Assets	23,158,257.43
Restricted for:	
Expendable:	
Scholarships and Fellowships	364,512.33
Loans	9,066.73
Capital Projects	144,350.40
Restricted for Specific Programs	348,255.39
Other	92,457.33
Unrestricted	(20,916,123.68)
Total Net Position	<u>\$ 3,200,775.93</u>

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

Southeastern Community College
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2019

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 10)	\$ 1,043,792.37
Sales and Services, Net (Note 10)	441,649.35
Other Operating Revenues	37,830.72

Total Operating Revenues	1,523,272.44
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OPERATING EXPENSES

Salaries and Benefits	13,787,010.62
Supplies and Materials	1,774,168.41
Services	2,381,802.43
Scholarships and Fellowships	1,949,527.37
Utilities	318,296.08
Depreciation/Amortization	785,028.63

Total Operating Expenses	20,995,833.54
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Operating Loss	(19,472,561.10)
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NONOPERATING REVENUES (EXPENSES)

State Aid	11,443,815.72
County Appropriations	1,385,300.00
Noncapital Grants - Student Financial Aid	3,290,812.80
Noncapital Grants	1,821,492.70
Noncapital Gifts, Net (Note 10)	384,061.13
Investment Income	52,219.11
Interest and Fees on Debt	(12,128.00)
Other Nonoperating Revenues (Expenses)	(183,029.22)

Net Nonoperating Revenues	18,182,544.24
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Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,290,016.86)
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State Capital Aid	3,806,905.54
County Capital Aid	356,844.09
Capital Grants	138,866.89

Increase (Decrease) in Net Position	3,012,599.66
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NET POSITION

Net Position - July 1, 2018	188,176.27
Net Position - June 30, 2019	\$ 3,200,775.93

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

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

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 1,505,724.95
Payments to Employees and Fringe Benefits	(14,261,235.12)
Payments to Vendors and Suppliers	(4,164,118.95)
Payments for Scholarships and Fellowships	(1,967,327.32)
Other Receipts	240,915.82
Net Cash Provided (Used) by Operating Activities	(18,646,040.62)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	11,443,815.72
County Appropriations	1,385,300.00
Noncapital Grants - Student Financial Aid	3,290,812.80
Noncapital Grants	1,809,654.88
Noncapital Gifts	384,061.13
Net Cash Provided (Used) by Noncapital Financing Activities	18,313,644.53

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	3,806,905.54
County Capital Aid	356,844.09
Capital Grants	183,047.98
Capital Gifts	(539,859.64)
Acquisition and Construction of Capital Assets	(3,567,531.50)
Principal Paid on Capital Debt and Leases	(25,334.38)
Interest and Fees Paid on Capital Debt and Leases	(12,128.00)
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	201,944.09

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	112,042.34
Investment Income	40,680.18
Purchase of Investments and Related Fees	(122,666.69)
Net Cash Provided (Used) by Investing Activities	30,055.83

Net Increase (Decrease) in Cash and Cash Equivalents	(100,396.17)
Cash and Cash Equivalents - July 1, 2018	2,582,039.98
Cash and Cash Equivalents - June 30, 2019	\$ 2,481,643.81

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

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (19,472,561.10)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation/Amortization Expense	785,028.63
Other Nonoperating Income	4,526.12
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	12,772.64
Inventories	(196,367.17)
Prepaid items	8,053.42
Net Other Postemployment Benefits Asset	15,633.00
Deferred Outflows Related to Pensions	(786,631.40)
Deferred Outflows Related to Other Postemployment Benefits	(242,552.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	527,497.11
Unearned Revenue	(48,120.08)
Funds Held for Others	236,389.70
Net Pension Liability	1,083,886.00
Net Other Postemployment Benefits Liability	(1,960,934.00)
Compensated Absences	65,818.51
Deferred Inflows Related to Pensions	(135,263.00)
Deferred Inflows Related to Other Postemployment Benefits	1,456,783.00
Net Cash Used by Operating Activities	<u>\$ (18,646,040.62)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	10,398.31
Loss on Disposal of Capital Assets	(187,555.34)
Increase in Receivables Related to Nonoperating Income	11,837.82

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

Southeastern Community College Foundation, Inc.
Statement of Financial Position
June 30, 2019

Exhibit B-1

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Cash and Cash Equivalents	\$ 14,771	\$ 0	\$ 14,771
Investments	2,426,071	4,538,560	6,964,631
Due from Southeastern Community College	132,143	161,506	293,649
Notes Receivable	13,685	0	13,685
Land	40,000	0	40,000
Total Assets	<u>\$ 2,626,670</u>	<u>\$ 4,700,066</u>	<u>\$ 7,326,736</u>
LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
NET ASSETS			
Without Donor Restrictions:	2,626,256	0	2,626,256
With Donor Restrictions	<u>0</u>	<u>4,700,066</u>	<u>4,700,066</u>
Total Net Assets	<u>2,626,256</u>	<u>4,700,066</u>	<u>7,326,322</u>
Total Liabilities and Net Assets	<u>\$ 2,626,256</u>	<u>\$ 4,700,066</u>	<u>\$ 7,326,322</u>

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

Southeastern Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions			
Endowments	\$ 0	\$ 72,627	\$ 72,627
Other	220,464	311,638	532,102
Gain on Sale of Assets	26,118	47,009	73,127
Investment Return	99,157	188,204	287,361
Total Support	345,739	619,478	965,217
EXPENSES			
Program Services	105,462	278,794	384,256
Supporting Services			
Management and General	67,954	0	67,954
Fund-raising	9,422	0	9,422
Total Expenses	182,838	278,794	461,632
TRANSFERS			
	0	0	0
Change in Net Assets	162,901	340,684	503,585
NET ASSETS			
Net Assets at Beginning of Year	2,463,355	4,359,382	6,822,737
Net Assets at End of Year	\$ 2,626,256	\$ 4,700,066	\$ 7,326,322

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



NOTES
TO THE
FINANCIAL
STATEMENTS

**SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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

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

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

The Foundation reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's

financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2019, the Foundation distributed \$384,256.21 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Southeastern Community College Foundation, Inc., P.O. Box 151, Whiteville, NC 28472.

- 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, savings accounts, and money market accounts.
- E. Investments** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the value of investments is recognized as a component of investment income.
- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

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

Depreciation is computed using the straight-line 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	2-40 years
General Infrastructure	10-75 years

- I. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.
- J. 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 2018 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 12 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the College's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2018 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 13 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

- K. 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.

- L. Deferred Outflows/Inflows of Resources** - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The College has the following items that qualify for reporting in this category: deferred outflows related to asset retirement obligations, deferred outflows related to pensions, and deferred outflows related to other postemployment benefits.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The College has the following items that qualify for reporting in this category: deferred inflows for deferred inflows related to pensions and deferred inflows related to other postemployment benefits.

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

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

Restricted Net Position - 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.

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

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

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

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

- P. **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 do not revert and are available for future use by the College. County capital appropriations do revert and are not available for future use by the College except with prior approval from county commissioners.

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. **Deposits** - 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. Cash on hand at June 30, 2019 was \$1,900.00. The carrying amount of the College's deposits not with the State Treasurer was \$2,479,743.81, and the bank balance was \$2,955,111.25.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2019, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Investments Restricted to:			
Operational Trust	\$ 2,293,812.00	\$ 2,426,071.00	\$ 132,259.00
Permanent Endowments	4,186,612.00	4,538,560.00	351,948.00
Total Investments	\$ 6,480,424.00	\$ 6,964,631.00	\$ 484,207.00
Investment fees were \$30,911.			

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2018, is as follows:

Cash on Hand	\$ 1,900.00
Carrying Amount of Deposits with Private Financial Institutions	2,479,743.81
Mutual Bond Funds	432,730.87
Total Deposits and Investments	\$ 2,914,374.68
Deposits	
Current	
Cash and Cash Equivalents	\$ 1,456,563.25
Restricted Cash and Cash Equivalents	1,025,080.56
Total Deposits	2,481,643.81
Investments	
Noncurrent	
Other Investments	432,730.87
Total Investments	432,730.87
Total Deposits and Investments	\$ 2,914,374.68

NOTE 3 - FAIR VALUE MEASUREMENTS

College - To the extent available, the College's investments are recorded at fair value as of June 30, 2019. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants

at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

The following table summarizes the College's investments, including the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2019:

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt Securities				
Mutual Bond Funds	\$ 432,730.87	\$ 432,730.87	\$ 0.00	\$ 0.00

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

Component Unit - The fair value of all available-for-sale securities has been measured on a recurring basis using Level 1 inputs, which are based on unadjusted quoted market prices within active markets. There have been no changes in valuation techniques and related inputs.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Receivables:			
Students	\$ 1,326,668.16	\$ 1,010,569.36	\$ 316,098.80
Student Sponsors	57,394.38	2,818.01	54,576.37
Vendor Credit Memos	1,050.29		1,050.29
Intergovernmental	153,709.58		153,709.58
Total Receivables	\$ 1,538,822.41	\$ 1,013,387.37	\$ 525,435.04

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2019, is presented as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets, Nondepreciable:				
Land	\$ 974,533.85	\$	\$	\$ 974,533.85
Construction in Progress	517,462.17	2,959,744.55	112,906.35	3,364,300.37
Total Capital Assets, Nondepreciable	1,491,996.02	2,959,744.55	112,906.35	4,338,834.22
Capital Assets, Depreciable:				
Buildings	21,247,893.88	173,910.44	21,092.00	21,400,712.32
Machinery and Equipment	6,301,256.23	433,876.51	267,605.45	6,467,527.29
General Infrastructure	847,710.06	112,906.35		960,616.41
Total Capital Assets, Depreciable	28,396,860.17	720,693.30	288,697.45	28,828,856.02
Less Accumulated Depreciation/Amortization for:				
Buildings	6,960,813.28	364,391.68	15,347.96	7,309,857.00
Machinery and Equipment	2,024,276.48	394,140.61	85,794.15	2,332,622.94
General Infrastructure	280,904.41	26,496.34		307,400.75
Total Accumulated Depreciation/Amortization	9,265,994.17	785,028.63	101,142.11	9,949,880.69
Total Capital Assets, Depreciable, Net	19,130,866.00	(64,335.33)	187,555.34	18,876,975.33
Capital Assets, Net	\$ 20,622,862.02	\$ 2,895,409.22	\$ 300,461.69	\$ 23,217,809.55

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2019, were as follows:

	Amount
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 168,600.04
Accounts Payable - Capital Assets	455,062.25
Accrued Payroll	491,852.71
Intergovernmental Payables	54,642.74
Total Accounts Payable and Accrued Liabilities	\$ 1,170,157.74

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2019, is presented as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Long-Term Debt					
Capital Leases Payable	\$ 84,886.50	\$	\$ 25,334.38	\$ 59,552.12	\$ 28,188.33
Other Long-Term Liabilities					
Compensated Absences	570,011.88	663,548.95	597,730.44	635,830.39	79,874.43
Net Pension Liability	4,586,107.00	1,083,886.00		5,669,993.00	
Net Other Postemployment Benefits Liability	15,832,522.00		1,960,934.00	13,871,588.00	
Total Other Long-Term Liabilities	20,988,640.88	1,747,434.95	2,558,664.44	20,177,411.39	79,874.43
Total Long-Term Liabilities	\$ 21,073,527.38	\$ 1,747,434.95	\$ 2,583,998.82	\$ 20,236,963.51	\$ 108,062.76
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 telecommunications 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, 2019:

Fiscal Year		Amount
2020	\$	34,896.96
2021		34,896.96
Total Minimum Lease Payments		69,793.92
Amount Representing Interest (8.25% Rate of Interest)		10,241.80
Present Value of Future Lease Payments	\$	59,552.12

Machinery and equipment acquired under capital lease amounted to \$142,552.84 at June 30, 2019.

Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled \$12,314.25 at June 30, 2019.

- B. Operating Lease Obligations** - The College entered into operating leases for postage meters, copiers, and printing equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2019:

Fiscal Year		Amount
2020	\$	36,900.00
2021		36,900.00
2022		23,435.00
2023		4,584.00
2024		3,056.00
Total Minimum Lease Payments	\$	104,875.00

Rental expense for all operating leases during the year was \$44,730.80.

NOTE 9 - NET POSITION

The deficit in unrestricted net position of \$20,916,123.68 has been significantly affected by transactions that resulted in the recognition of deferred outflows of resources and deferred inflows of resources. A summary of the balances reported within unrestricted net position relating to the reporting of net pension liability and net other postemployment benefits (OPEB) liability, and the related deferred outflows of resources and deferred inflows of resources is presented as follows:

	TSERS	Retiree Health Benefit Fund	Total
Deferred Outflows Related to Pensions	\$ 3,309,030.68	\$	\$ 3,309,030.68
Deferred Outflows Related to OPEB*		862,909.00	862,909.00
Noncurrent Liabilities:			
Long-Term Liabilities:			
Net Pension Liability	5,669,993.00		5,669,993.00
Net OPEB Liability		13,871,588.00	13,871,588.00
Deferred Inflows Related to Pensions	75,273.00		75,273.00
Deferred Inflows Related to OPEB*		6,958,092.00	6,958,092.00
Net Effect on Unrestricted Net Position	\$ (2,436,235.32)	\$ (19,966,771.00)	\$ (22,403,006.32)

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

NOTE 10 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles*	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	\$ 2,279,674.02	\$ 1,227,817.31	\$ 8,064.34	\$ 1,043,792.37
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 8,395.91	\$	\$	\$ 8,395.91
Bookstore	704,837.93	392,635.77	(5,004.78)	317,206.94
Childcare	87,708.50			87,708.50
Athletic	8,224.00			8,224.00
Other	20,114.00			20,114.00
Total Sales and Services, Net	\$ 829,280.34	\$ 392,635.77	\$ (5,004.78)	\$ 441,649.35
Nonoperating Revenues:				
Noncapital Gifts, Net	\$ 384,061.13	\$	\$	\$ 384,061.13

NOTE 11 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$ 8,223,882.17	\$ 599,020.50	\$ 607,407.92	\$	\$	\$	\$ 9,430,310.59
Public Service	106,831.22	4,789.55	10,888.86				122,519.63
Academic Support	1,469,255.86	115,844.10	413,727.40				1,998,627.36
Student Services	1,451,362.59	39,052.01	258,217.25				1,748,631.85
Institutional Support	1,946,910.96	161,208.75	612,741.93				2,720,861.64
Operations/Maintenance of Plant	399,367.51	166,606.19	372,739.47		318,296.08		1,257,009.25
Student Financial Aid				1,949,527.37			1,949,527.37
Auxiliary Enterprises	189,400.31	687,837.31	106,079.60				983,317.22
Depreciation/ Amortization						785,028.63	785,028.63
Total Operating Expenses	\$ 13,787,010.62	\$ 1,774,168.41	\$ 2,381,802.43	\$ 1,949,527.37	\$ 318,296.08	\$ 785,028.63	\$ 20,995,833.54

NOTE 12 - PENSION PLANS

Defined Benefit Plan

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly

Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2019 was 12.29% of covered payroll. Employee contributions to the pension plan were \$557,224.76, and the College's contributions were \$1,136,423.79 for the year ended June 30, 2019.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2018 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina are the sole participants in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2018 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2019, the College reported a liability of \$4,847,620.00 for its proportionate share of the collective net pension liability. The

net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total pension liability to June 30, 2018. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2018, the College's proportion was 0.04869%, which was a decrease of 0.00911 from its proportion measured as of June 30, 2017, which was 0.05780%.

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

Valuation Date	12/31/2017
Inflation	3%
Salary Increases*	3.50% - 8.10%
Investment Rate of Return**	7.00%

* Salary increases include 3.5% inflation and productivity factor.

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

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

The actuarial assumptions used in the December 31, 2017 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

Future ad hoc Cost of Living Adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (the valuation date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2018 is 1.5%.

Discount Rate: The discount rate used to measure the total pension liability was lowered from 7.20% to 7.00% for the December 31, 2017 valuation. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2018 calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

Net Pension Liability (Asset)					
1% Decrease (6.00%)		Current Discount Rate (7.00%)		1% Increase (8.00%)	
\$ 9,245,232.00		\$ 4,847,620.00		\$ 1,157,587.00	

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2019, the College recognized pension expense of \$1,296,718.00. At June 30, 2019, the College reported deferred

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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	\$ 413,800.00	\$	56,902.00
Changes of Assumptions	1,137,822.00		
Net Difference Between Projected and Actual Earnings on Plan Investments	540,351.00		
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	80,634.00		18,371.00
Contributions Subsequent to the Measurement Date	1,136,424.00		
Total	\$ 3,309,031.00	\$	75,273.00

The amount of \$1,136,424.00 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in Pension Expense:		
Year Ended June 30:		Amount
2020	\$	1,219,818.00
2021		789,612.00
2022		97,827.00
2023		(9,923.00)
2024		0.00
Total	\$	2,097,334.00

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

The College participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2018 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

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

Methods Used to Value Plan Investments: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2018 *Comprehensive Annual Financial Report*.

B. Plan Descriptions**1. Health Benefits**

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

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

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

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 16. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

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

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

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The College's contractually-required contribution rate for the year ended June 30, 2019 was 6.27% of covered payroll. The College's contributions to the RHBF were \$579,770.31 for the year ended June 30, 2019.

2. Disability Income

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

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

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period,

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

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The College's contractually-required contribution rate for the year ended June 30, 2019 was 0.14% of covered payroll. The College's contributions to DIPNC were \$12,945.43 for the year ended June 30, 2019.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2019, the College reported a liability of \$13,871,588.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total OPEB liability to June 30, 2018. The College's proportion of the net OPEB liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2018, the College's proportion was 0.04869%, which was an increase of 0.0004 from its proportion measured as of June 30, 2017, which was 0.04829%.

Net OPEB Asset: At June 30, 2019, the College reported an asset of \$14,823.00 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2018. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total OPEB asset to June 30, 2018. The College's proportion of the net OPEB asset was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2018, the College's proportion was 0.04880%, which was a decrease of 0.00095 from its proportion measured as of June 30, 2017, which was 0.04983%.

Actuarial Assumptions: The total OPEB liabilities (assets) for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities (assets) were then rolled forward to June 30, 2018 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2017	12/31/2017
Inflation	3.00%	3.00%
Salary Increases*	8.10% grading down to 3.50% depending on employee class	3.50% - 8.10%
Investment Rate of Return**	7.00%	3.75%
Healthcare Cost Trend Rate - Medical	6.50% grading down to 5.00% by 2024	6.50% grading down to 5.00% by 2024
Healthcare Cost Trend Rate - Prescription Drug	7.25% grading down to 5.00% by 2027	N/A
Healthcare Cost Trend Rate - Medicare Advantage	5.00%	N/A
Healthcare Cost Trend Rate - Administrative	3.00%	N/A

* Salary increases include 3.5% inflation and productivity factor.

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

N/A - Not Applicable

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

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons.

Global public equity return projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2018.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2018 (the valuation date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2018 is 1.5%.

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

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

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

described earlier in the note, benefits are dependent on membership requirements.

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

The actuarial assumptions used in the December 31, 2017 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2014, as amended for updates to certain assumptions (such as the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.87%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.87% was used as the discount rate used to measure the total OPEB liability. The 3.87% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

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

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

Net OPEB Liability (Asset)			
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
RHBF	\$ 16,388,606.00	\$ 13,870,897.00	\$ 11,852,685.00
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	\$ (11,358.00)	\$ (14,823.00)	\$ (18,148.00)

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,

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as well as what the plans' net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

		1% Decrease		Current Healthcare Cost Trend Rates		1% Increase
		(Medical - 4.00% - 5.50%, Pharmacy - 4.00% - 6.25%, Med. Advantage - 4.00%, Administrative - 2.00%)		(Medical - 5.00% - 6.50%, Pharmacy - 5.00% - 7.25%, Med. Advantage - 5.00%, Administrative - 3.00%)		(Medical - 6.00% - 7.50%, Pharmacy - 6.00% - 8.25%, Med. Advantage - 6.00%, Administrative - 4.00%)
RHBF Net OPEB Liability	\$	16,388,605.57	\$	13,870,897.28	\$	11,852,684.6
		1% Decrease		Current Healthcare Cost Trend Rates		1% Increase
		(5.50% grading down to 4.00% in 2024)		(6.50% grading down to 5.00% in 2024)		(7.50% grading down to 6.00% in 2024)
DIPNC Net OPEB Asset	\$	-11,358.20	\$	-14,823.49	\$	-18,147.74

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2019, the College recognized OPEB contra-expense of \$140,707.00 for RHBF and contra-expense of \$12,945.00 for DIPNC. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		RHBF		DIPNC		Total
Differences Between Actual and Expected Experience	\$		\$	25,858.00	\$	25,858.00
Changes of Assumptions				2,799.00		2,799.00
Net Difference Between Projected and Actual Earnings on Plan Investments		1,492.00		11,545.00		13,037.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions		225,360.00		3,140.00		228,500.00
Contributions Subsequent to the Measurement Date		579,770.00				579,770.00
Total	\$	806,622.00	\$	43,342.00	\$	849,964.00

Employer Balances of Deferred Inflows of Resources				
Related to OPEB by Classification:				
	RHBF		DIPNC	Total
Differences Between Actual and Expected Experience	\$ 948,600.00		\$ 0.00	\$ 948,600.00
Changes of Assumptions	6,009,492.00			6,009,492.00
Net Difference Between Projected and Actual Earnings on Plan Investments				0.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions				0.00
Total	\$ 6,958,092.00		\$ 0.00	\$ 6,958,092.00

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in OPEB Expense:				
Year Ended June 30:	RHBF		DIPNC	
2020	\$ (1,566,332.00)		\$ 10,856.00	
2021	(1,566,332.00)		10,855.00	
2022	(1,566,332.00)		7,463.00	
2023	(1,566,332.00)		5,830.00	
2024	(467,395.00)		4,169.00	
Thereafter			4,169.00	
Total	\$ (6,732,723.00)		\$ 43,342.00	

NOTE 14 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of

commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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

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

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

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

4. Statewide Workers' Compensation Program

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

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

NOTE 15 - COMMITMENTS AND CONTINGENCIES

- A. Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$1,899,077.65, on contracts for maintenance and use of technology assets and software were \$817,074.68, and on other purchases were \$8,530.80 at June 30, 2019.



**REQUIRED
SUPPLEMENTARY
INFORMATION**

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

Exhibit C-1

Teachers' and State Employees' Retirement System		2019	2018	2017
Proportionate Share Percentage of Collective Net Pension Liability	(1)	0.04869%	0.05780%	0.05648%
Proportionate Share of TSERS Collective Net Pension Liability	(2)	\$ 4,847,620.00	\$ 4,586,107.00	\$ 5,191,095.00
Covered Payroll	(3)	\$ 8,994,408.93	\$ 8,922,857.53	\$ 8,719,689.90
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	(4)	53.90%	51.40%	59.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	(5)	87.61%	89.51%	87.32%
		2016	2015	2014
Proportionate Share Percentage of Collective Net Pension Liability	(1)	0.05766%	0.06204%	0.06480%
Proportionate Share of TSERS Collective Net Pension Liability	(2)	\$ 2,124,885.00	\$ 727,370.00	\$ 3,934,020.00
Covered Payroll	(3)	\$ 9,037,635.88	\$ 9,414,728.45	\$ 9,730,293.03
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	(4)	23.51%	7.73%	40.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	(5)	94.64%	98.24%	90.60%

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

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

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

Exhibit C-2

Teachers' and State Employees' Retirement System		2019	2018	2017	2016	2015
Contractually Required Contribution	(1)	\$ 1,136,423.79	\$ 969,597.28	\$ 890,501.18	\$ 797,851.62	826,943.68
Contributions in Relation to the Contractually Determined Contribution	(2)	1,136,423.79	969,597.28	890,501.18	797,851.62	826,943.68
Contribution Deficiency (Excess)	(3)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Covered Payroll	(4)	\$ 9,246,735.45	\$ 8,994,408.93	\$ 8,922,857.53	\$ 8,719,689.90	\$ 9,037,635.88
Contributions as a Percentage of Covered Payroll	(5)	12.29%	10.78%	9.98%	9.15%	9.15%
		2014	2013	2012	2011	2010
Contractually Required Contribution	(1)	\$ 818,139.90	\$ 810,533.41	\$ 719,801.22	\$ 482,735.34	\$ 339,184.58
Contributions in Relation to the Contractually Determined Contribution	(2)	818,139.90	810,533.41	719,801.22	482,735.34	339,184.58
Contribution Deficiency (Excess)	(3)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Covered Payroll	(4)	\$ 9,414,728.45	\$ 9,730,293.03	\$ 9,674,747.63	\$ 9,791,791.88	\$ 9,500,968.71
Contributions as a Percentage of Covered Payroll	(5)	8.69%	8.33%	7.44%	4.93%	3.57%

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

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

Changes of Benefit Terms:

	<u>Cost of Living Increase</u>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Teachers' and State Employees' Retirement System	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%

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

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

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2018 *Comprehensive Annual Financial Report*.

N/A - Not Applicable

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

Exhibit C-3

		2019	2018	2017
Retiree Health Benefit Fund				
Proportionate Share Percentage of Collective Net OPEB Liability	(1)	0.04869%	0.04829%	0.04830%
Proportionate Share of Collective Net OPEB Liability	(2)	\$ 13,870,897.00	\$ 15,832,522.00	\$ 21,012,142.00
Covered Payroll	(3)	\$ 8,994,408.93	\$ 8,922,857.53	\$ 8,719,689.90
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	(4)	154.22%	177.44%	240.97%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	(5)	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina				
Proportionate Share Percentage of Collective Net OPEB Asset	(1)	0.04880%	0.04983%	0.04900%
Proportionate Share of Collective Net OPEB Asset	(2)	\$ 30,376.00	\$ 30,456.00	\$ 30,429.00
Covered Payroll	(3)	\$ 8,994,408.93	\$ 8,922,857.53	\$ 8,719,689.90
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	(4)	0.34%	0.34%	0.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	(5)	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.

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

Exhibit C-4

Retiree Health Benefit Fund		2019	2018	2017	2016	2015
Contractually Required Contribution	(1)	\$ 579,770.31	\$ 544,162.00	\$ 518,418.02	\$ 488,302.63	\$ 496,166.21
Contributions in Relation to the Contractually Determined Contribution	(2)	579,770.31	544,162.00	518,418.02	488,302.63	496,166.21
Contribution Deficiency (Excess)	(3)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Covered Payroll	(4)	\$ 9,246,735.45	\$ 8,994,408.93	\$ 8,922,857.53	\$ 8,719,689.90	\$ 9,037,635.88
Contributions as a Percentage of Covered Payroll	(5)	6.27%	6.05%	5.81%	5.60%	5.49%
		2014	2013	2012	2011	2010
Contractually Required Contribution	(1)	\$ 508,395.34	\$ 515,705.53	\$ 483,737.38	\$ 479,797.80	\$ 427,543.59
Contributions in Relation to the Contractually Determined Contribution	(2)	508,395.34	515,705.53	483,737.38	479,797.80	427,543.59
Contribution Deficiency (Excess)	(3)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Covered Payroll	(4)	\$ 9,414,728.45	\$ 9,730,293.03	\$ 9,674,747.63	\$ 9,791,791.88	\$ 9,500,968.71
Contributions as a Percentage of Covered Payroll	(5)	5.40%	5.30%	5.00%	4.90%	4.50%

Disability Income Plan of North Carolina		2019	2018	2017	2016	2015
Contractually Required Contribution	(1)	\$ 12,945.43	\$ 12,592.00	\$ 33,906.86	\$ 35,750.73	\$ 37,054.31
Contributions in Relation to the Contractually Determined Contribution	(2)	12,945.43	12,592.00	33,906.86	35,750.73	37,054.31
Contribution Deficiency (Excess)	(3)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Covered Payroll	(4)	\$ 9,246,735.45	\$ 8,994,408.93	\$ 8,922,857.53	\$ 8,719,689.90	\$ 9,037,635.88
Contributions as a Percentage of Covered Payroll	(5)	0.14%	0.14%	0.38%	0.41%	0.41%
		2014	2013	2012	2011	2010
Contractually Required Contribution	(1)	\$ 41,424.81	\$ 42,813.29	\$ 50,308.69	\$ 50,917.32	\$ 49,405.04
Contributions in Relation to the Contractually Determined Contribution	(2)	41,424.81	42,813.29	50,308.69	50,917.32	49,405.04
Contribution Deficiency (Excess)	(3)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Covered Payroll	(4)	\$ 9,414,728.45	\$ 9,730,293.03	\$ 9,674,747.63	\$ 9,791,791.88	\$ 9,500,968.71
Contributions as a Percentage of Covered Payroll	(5)	0.44%	0.44%	0.52%	0.52%	0.52%

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

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

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

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

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

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

In 2018, for the December 31, 2017 actuarial valuation, the discount rate for the RHBF was updated to 3.87% and the medical and prescription drug claims cost were changed based on most recent experience. Enrollment assumptions were updated to model expected migrations among RHBF plan options and trend assumptions for the RHBF include contribution changes for the 2019 period as those amounts have been finalized.

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

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2018 Comprehensive Annual Financial Report.