***[Disclaimer: The Community College pro forma is designed as a guide for the most common scenarios encountered by colleges; however, financial reporting responsibility rests solely with the preparer. The pro forma includes only the common disclosures within the Community College system. Refer to the GASB Codification for full disclosure requirements. Additionally, the pro forma does not include the presentation of separate statements for fiduciary funds per GASB 84. Refer to the University pro forma for example presentation.]***

***[Note to Preparer: If preparing rounded statements ensure that all cents are removed from cell values entirely (i.e. do not just cents hide via cell formatting) to ensure charts will properly foot and crossfoot.]***

# 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. \*1 (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 for which the College’s Board of Trustees is financially accountable. Related foundations and similar nonprofit corporations for which the College is not financially accountable or for which the nature of their relationship is not considered significant to the College are not part of the accompanying financial statements.

***OR***

***[If the College has a component unit use this option.]***

**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. \*1 (College) is a component unit of the State of North Carolina and an integral part of the State’s *Comprehensive Annual Financial Report*.

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

Financial statements for the College and its blended and discretely presented component units are presented as of and for the fiscal year ended June 30, 2021, except for \_\_\_\_\_\_\_\_\_\_\_ Foundation whose financial statements are as of and for the fiscal year ended \_\_\_\_\_\_\_\_. ***[Omit this paragraph if no differing fiscal year ends.]***

***[Provide a brief description of the component units, and explain their relationship to the primary government, the rationale for including each component unit in the reporting entity, and how to obtain a copy of their financial statements*** *-* ***examples follow*** *-* ***MODIFY AS NECESSARY.]***

**Blended Component Unit*(s)*** -Although legally separate, \_\_\_\_\_\_\_\_\_\_\_\_\_ Foundation is reported as if it was part of the College. The Foundation is governed by a \_\_-member board consisting of \_\_ ex officio directors and \_\_\_ elected directors. The Foundation’s purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the elected directors of the Foundation are appointed by the members of the \*1 Board of Trustees and the Foundation’s sole purpose is to benefit \*1, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the College Controller’s Office, **[provide address]**, or by calling **[provide telephone number]**.

Condensed combining information regarding blended component units is provided in Note **XX**.

***[Disclose all significant transactions between the College and its major blended component units in Note 21 of the Pro Forma.]***

**Discretely Presented Component Unit*(s)*** -\_\_\_\_\_\_\_\_\_\_ Foundation and \_\_\_\_\_\_\_\_\_\_\_\_ Foundation are legally separate, nonprofit corporations and are reported as discretely presented component units based on the nature and significance of their relationship to the College.

***[Explain the basis for including each component unit in the reporting entity and how to obtain a copy of their financial statements. Examples follow. MODIFY AS NECESSARY. If only one component unit, modify the sentence above and the first sentence of each paragraph below to eliminate redundancy.]***

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 \_\_\_\_\_\_\_. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

***[Disclose all significant transactions between the College and its major discretely presented component units.]***

During the year ended June 30, 2021, the Foundation distributed $\_\_\_\_\_\_\_\_\_\_ to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**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* and GASB Statement No. 84, *Fiduciary Activities,* the full scope of the College’s activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

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

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

**D. Cash and Cash Equivalents** -This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. ***[Modify as deemed necessary.]***

***OR***

***[If all of the College’s investments are held in the STIF:]***

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

**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. ***[Modify as deemed necessary.]***

[Certificates of deposit, investment agreements, bank investment contracts, and other asset holdings] are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated. ***[Modify as deemed necessary.] [This paragraph should include all of the College’s investments that are not measured at fair value (i.e. investments not disclosed in Note 3). See GASB Codification Section 150.121-123 for exceptions to fair value reporting.].***

***[Note to preparer: Remove entire paragraph E if all of the College’s investments are held in the STIF.]***

**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, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider’s conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts. ***[Modify as deemed necessary.]***

**G. Inventories** -Inventories, consisting of expendable supplies, are valued at cost using either the first-in, first-out, last invoice cost, or average cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method. ***[Modify as deemed necessary.]***

**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.

The College capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated software which is capitalized when the value or cost is $1,000,000 or greater and other intangible assets which are capitalized when the value or cost is $100,000 or greater. ***[Note to Preparer: Adjust to the College’s specific capitalization policy.]***

Depreciation and amortization ***[Note: Remove ‘and amortization’ if it is not applicable to your entity]*** is/are computed using the straight-line and/or units of output method over the estimated useful lives of the assets in the following manner:

******

***[Modify as necessary.]***

The College does not capitalize the **[fill in the title]**collection*(s)*. This/*(These)* collection*(s)* adhere*(s)* to the College’s policy to maintain for public exhibition, education, or research; protect, keep unencumbered, care for, and preserve; and require proceeds from their sale to be used to acquire other collection items. ***[Modify as necessary.]*** Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized. ***[Remove if no collections are not capitalized]***

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

**J. Accounting and Reporting of Fiduciary Activities** -Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows. ***[Delete if not applicable or significant for your College.]***

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

**K. 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 2020 *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 **XX** for further information regarding the College’s policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions. ***[Note to preparer: Your entity’s net pension liability is based upon the 2020 Comprehensive Annual Financial Report for your FY2021 statements and as such the references to 2020 are accurate and should not be changed.]***

The net OPEB liability represents the College’s proportionate share of the collective net OPEB liability reported in the State of North Carolina’s 2020 *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 **XX** for further information regarding the College’s policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB. ***[Note to preparer: Your entity’s net OPEB liability is based upon the 2020 Comprehensive Annual Financial Report for your FY2021 statements and as such the references to 2020 are accurate and should not be changed.]***

**L. 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 January 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 December 31 plus the leave earned, less the leave taken between January 1 and June 30. ***[Revise wording to actual policy of the College, if different from above.]***

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave. ***[Revise wording to actual practice of the College. Not all Colleges awarded bonus leave since they were not required to.]***

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.

**M. Deferred Outflows/Inflows of Resources** -Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent 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.

**N. 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. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position. ***[Delete last sentence in this paragraph if not applicable to your entity. Additionally, remove the word ‘Net’ from this paragraph’s heading if there are no liabilities related to capital assets at your institution. Liabilities related to capital assets include retainage payable and any accounts payable that are attributable to the acquisition, construction, or improvement of capital assets. See GASB Codification Section 2200.118 and 2200.709 for further guidance.]***

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

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

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

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

**O. 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.

**P. 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.

**Q. Internal Sales Activities** -Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as **[central stores, copy centers, motor pool, postal services, telecommunications - *Modify as necessary*]**. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

**R. County Appropriations** -County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use *[by the College* ***or*** *as approved by the county commissioners]*. ***[Modify as necessary]***

# Note 2 - Deposits and Investments [For use by Colleges when All their investments are in STIF]

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

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, 2021, the College’s bank balance in excess of federal depository insurance coverage was covered under ***choose one*** the ***pooling/dedicated*** method.

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

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

At June 30, 2021, the amount shown on the Statement of Net Position as cash and cash equivalents includes $\_\_\_\_\_\_\_\_\_\_, which represents the College’s equity position in the State Treasurer’s Short‑Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2021. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer’s Investment Pool (which includes the State Treasurer’s STIF) are included in theNorth Carolina Department of State Treasurer Investment Programs’ separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer’s website at https://www.nctreasurer.com/ in the Audited Financial Statements section.

***[Instructions to preparer, STIF balances applicable to component units within the reporting entity should be reported in the component unit statement of net position. The STIF amount reported on the college statement of net position and in this note will be the STIF balance for the college and any component units not included in the college report.]***

**Component Unit(s) – *[Note to preparer: When all of the College’s investments are in the STIF, disclose component unit investments here.]***

***OR***

# Note 2 - Deposits and Investments [For use by Colleges who have their Investments either entirely or partially outside STIF]

1. **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, 2021 was $\_\_\_\_\_\_\_\_\_. The carrying amount of the College’s deposits not with the State Treasurer, including certificates of deposit of $\_\_\_\_\_\_\_\_ reported as investments on the Statement of Net Position, was $\_\_\_\_\_\_\_\_\_, and the bank balance was $\_\_\_\_\_\_\_\_\_.

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, 2021, the College’s bank balance in excess of federal depository insurance coverage was covered under ***choose one*** the ***pooling/ dedicated*** method. ***[If using the dedicated method and have uninsured deposits subject to custodial credit risk add the following.]*** As of June 30, 2021, the College’s bank balance was exposed to custodial credit risk as follows: ***[Modify as necessary.]***



***[Revise the following applicable to the College’s investments and in accordance with other instructions in bold print. Options provided are not all‑inclusive; therefore, please revise if necessary.]***

1. **Investments** - ***[If the College has discretely presented component units with material investments not invested with the College*** *-* ***then additional disclosure is necessary and the College investments note will be one part of the note and the component unit will be another. If not, delete the “College” bold below and make all one note. See GASB Codification Section 150.139.]***

**College -** *[In addition to donated securities and real estate held by the College,]* the College is authorized to invest idle funds as provided by G.S. 115D-58.6. In accordance with this statute, the College and the Board of Trustees manage investments to ensure they can be converted into cash when needed.

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

At June 30, 2021, the amount shown on the Statement of Net Position as cash and cash equivalents includes $\_\_\_\_\_\_\_\_\_\_, which represents the College’s equity position in the State Treasurer’s Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of   
1.3 years as of June 30, 2021. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer’s Investment Pool (which includes the State Treasurer’s STIF) are included in the North Carolina Department of State Treasurer Investment Programs’ separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer’s website at https://www.nctreasurer.com/ in the Audited Financial Statements section.

***[Instructions to preparer, STIF balances applicable to component units within the reporting entity should be reported in the component unit statement of net position. The STIF amount reported on the college statement of net position and in this note will be the STIF balance for the college and any component units not included in the college report.]***

***[Add for endowment funds only.]***

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to G.S. 147-69.2. This statute authorizes investments for special funds held by the State Treasurer and includes the following investments: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities, bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments and obligations of certain entities with specified ratings.

At June 30, 2021, the amount shown on the Statement of Net Position as endowment, restricted, and/or other investments includes $\_\_\_\_\_\_\_\_, which represents the College’s equity position in the State Treasurer’s Bond Index Fund (BIF). The BIF (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any formal regulatory oversight and does not have a credit rating) had a weighted average maturity of 8.34 years at June 30, 2021. Assets and shares of the BIF are valued at fair value. Deposit and investment risks associated with the State Treasurer’s Investment Pool (which includes the State Treasurer’s BIF) are included in the North Carolina Department of State Treasurer Investment Programs’ separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer’s website at https://www.nctreasurer.com/ in the Audited Financial Statements section.

***[Add for blended component units only*** *-* ***example follows.]***

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

***If the College has pooled investments in addition to STIF or LTIP, additional disclosures may be required.***

***For Colleges with investments outside of STIF or LTIP:***

The following table presents the investments by type and investments subject to interest rate risk at June 30, 2021, for the College’s investments. Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3,* as the risk a government may face should interest rate variances affect the value of investments. The College does not have a formal investment policy that addresses interest rate risk. ***[Modify as necessary*** *-* ***see GASB 40 for illustration if policy in place to limit investment maturities. Note to Preparer: If dissimilar investments are grouped into a single investment type, be sure to break out the investment types further as necessary to meet the requirements of GASB Statements 3 and 40. Refer to GASB 40 and the GASB Comprehensive Implementation Guide for further guidance about grouping investments by investment types.]***

***Investments***



Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note. ***[Omit if not applicable.]***

In addition to the interest rate risk disclosed above, the College’s investments include investments highly sensitive to interest rate changes. ***[Describe - see paragraph 16 and 57 (examples listed were asset‑backed securities) of GASB 40 and Illustration 7 in GASB 40. Illustration 7 includes CMO’s, Inverse Variable‑Rate Notes, and Variable‑Coupon Note with Multiplier as examples of investments highly sensitive to interest rate changes.]***

*Credit Risk*: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have a formal policy that addresses credit risk. As of June 30, 2021, the College’s investments were rated as follows: ***[Modify as necessary*** *-* ***disclose only lowest rating.]***



*Custodial Credit Risk*: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a formal policy for custodial credit risk. The College’s investments were exposed to custodial credit risk as follows: ***[Modify as necessary.]***



*Concentration of Credit Risk*: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The College places no limit on the amount that may be invested in any one issuer. More than 5% of the College’s investments are in \_\_\_\_\_\_\_ and \_\_\_\_\_\_\_. These investments are \_\_\_% and \_\_\_%, respectively, of College’s investments. ***[Modify as necessary.]***

*Foreign Currency Risk*: Foreign currency risk is defined by GASB Statement No. 40 as the risk that changes in exchange rates will adversely affect the value of an investment. ***[If no policy:*** The College does not have a formal policy for foreign currency risk.***]*** ***OR*** ***[If policy:*** The College’s investment policy permits it to invest up to \_\_\_% in foreign currency - \_\_\_\_\_\_. The College’s current position is \_\_\_%.***]*** The College recognized an aggregate foreign currency transaction ***[gain/loss]*** of $\_\_\_\_\_\_\_ for the fiscal year ended June 30, 2021. Transaction gains or losses result from a change in exchange rates between the U.S. Dollar and the currency in which a foreign currency transaction is denominated. The College’s exposure to foreign currency risk for their investments is as follows: ***[See GASB 40 illustration for further information. Per GASB Implementation Guide 2018-1 question 5.1, foreign currency risk only applies if the entity has investments denominated in foreign currency. Disclosure requirements do not apply to foreign investments held by investment funds that are U.S. dollar denominated.]***



***[For discretely presented component units with material investments not invested with the college – disclosure may be required. See GASB 61 paragraph 11b for further guidance.]***

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

***[Note to Preparer: If an external investment pool meets the criteria in GASB 79 and measures all of its investments at amortized cost, the pool’s participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. GASB 79 ¶42 establishes additional note disclosure requirements for qualifying external investment pools that measure all of its investments at amortized cost and for governments that participate in those pools. Information about any limitations or restrictions on participant withdrawals should be disclosed. These disclosures are in addition to existing disclosure requirements for external investment pools.]***

# Note 3 - Fair Value Measurements

***[If the College has discretely presented component units with a material fair value disclosure*** *-* ***then additional disclosure is necessary and the College fair value note will be one part of the note and the component unit will be another. If not, delete the “College” bold below and make all one note.]***

**College** - To the extent available, the College’s investments are recorded at fair value as of June 30, 2021. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets (or liabilities) in active markets that a government can access at the measurement date.

Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset (or liability), either directly or indirectly.

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

***[Note to Preparer: Remove reference to liabilities above if the College has no liabilities that are measured at fair value.]***

The following table summarizes the College’s investments, including the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2021:



***Note to Preparer: See GASB Codification Section I50.109 through 126 for exceptions to fair value reporting.***

**Short-Term Investment Fund** -At year-end, all of the College’s investments valued at $\_\_\_\_\_ were held in the STIF (Note: only include the preceding sentence if the only investments of the College are STIF. Remove FV table if that is all that is disclosed).Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The College’s position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

**Bond Index Fund** -Ownership interests in the BIF are determined monthly at fair value based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72.The College’s position in the pool is measured and reported at fair value and the BIF is not required to be categorized within the fair value hierarchy.

**Debt and Equity Securities - *[Example – GASB Codification Section 3100.901, Illustration 5, Example 2:*** Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing. ***Modify as necessary.]***

***[Note to Preparer: the paragraph above is example language and should be modified as necessary to describe the valuation technique(s) applied to the College’s specific debt and equity securities classified in Levels 1, 2 and 3. If a level includes securities that are not all valued using the same technique, a description of each of the securities and its respective valuation technique should be included. See last two sentences of the paragraph above for example.]***

The following table presents the valuation of investments measured at the Net Asset Value (NAV) per share (or its equivalent) at June 30, 2021. ***[Modify as necessary.]***



***Note to Preparer: Per GASB Section 3100.163 specific disclosures regarding each type of investment measured at the NAV (or its equivalent) are required. Tickmarks A-E in the table above should each be discussed in a separate paragraphs. See GASB Section 3100.163 for the specific requirements to be disclosed.***

**A.Real Estate Investment Trusts** - ***[Modify as necessary.]***

**B. Hedge Funds** - ***[Example language for an equity long/short hedge fund* per GASB Section 3100.901, Illustration 4, Example 2.** ***Modify as necessary.]***

**C. Private Equity Limited Partnerships** - **[Modify as necessary.]**

**D. Real Assets Limited Partnerships** - ***[Modify as necessary.]***

**E. Other Limited Partnerships** - ***[Modify as necessary.]***

**F.Pooled Investments** - ***[Modify as necessary.]***

**Component Unit(s)**

***[If the College has discretely presented component units with fair value disclosures, provide disclosures as necessary based on the audit report(s) for those component units.]***

# Note 4 - Endowment Investments

Investments of the College’s endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. [However, a majority of the College’s endowment donor agreements prohibit spending of nonexpendable balances and therefore the related nonexpendable balances are not eligible for expenditure. ***Modify as necessary.***] [During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds. – ***or*** - During the year, the Board appropriated $\_\_\_\_\_\_\_\_ in expenditures from eligible nonexpendable endowment funds.]

***[For Colleges using the total return concept an example follows.]***

Investment return of the College’s endowment funds is predicated on the total return concept (yield plus appreciation). [GASB Codification 2300.123 requires the disclosure of the College’s policy for authorizing and spending investment income. Inset here.] At June 30, 2021, net appreciation of $\_\_\_\_\_\_\_\_\_\_ was available to be spent, of which $\_\_\_\_\_\_\_\_\_\_\_\_ was classified in net position as **[classification (i.e. restricted: expendable: scholarships and fellowships)]** as it is restricted for specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net position. ***[Modify as Necessary.]***

***OR***

***[For Colleges not using the total return concept an example follows.]***

Investment return of the College’s endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure. [GASB Codification 2300.123 requires the disclosure of the College’s policy for authorizing and spending investment income. Inset here.] At June 30, 2021, net appreciation of $\_\_\_\_\_\_\_\_\_\_ was available to be spent, of which $\_\_\_\_\_\_\_\_\_\_\_\_ was classified in net position as **[classification (i.e. restricted: expendable: scholarships and fellowships)]** as it is restricted for specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net position. ***[Modify as Necessary.]***

During the current year, the College incurred investment losses that exceeded the related endowment’s available accumulated income and net appreciation. These losses resulted in a reduction to the specific nonexpendable endowment balance. At June 30, 2021 the amount of investment losses reported against the nonexpendable endowment balances was $\_\_\_\_\_\_\_\_\_.

***OR*** *(For colleges that have endowments in STIF, therefore, no Investments on SNP use the following for note 3.)*

# Note 4 - Donor Restricted Endowments

The College’s endowment assets are pooled with state agencies and similar institutions in short-term investments with the State Treasurer’s Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College’s endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At   
June 30, 2021, net appreciation of $\_\_\_\_\_\_\_\_ was available to be spent, of which $\_\_\_\_\_\_\_\_\_ was classified in net position as **[classification (i.e. restricted: expendable: scholarships and fellowships)]** as it is restricted for specific purposes. The remaining portion of net appreciation available to be spent is classified as unrestricted net position. ***[Modify as Necessary.]***

# Note 5 - Receivables

Receivables at June 30, 2021, were as follows: ***[Note to preparer: receivables related to the construction/acquisition of capital assets may be classified as noncurrent unless a related current liability has been recorded (i.e. receivable to be used for payment of payable classified as a current liability). See GASB Codification 2200.176-177 and .744 for additional guidance.]***

****

# Note 6 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2021, is presented as follows: ***[See below table for disclosures related to impairment of capital assets and insurance recoveries.]***



***[Note to Preparer: If the College has more than one category of Intangible Assets, they must be broken out by type (see OSC’s Intangible Assets Policy) in each section: Nondepreciable, Depreciable, and Accumulated Depreciation. Example categories include: Easements; Land Use Rights; and Patents, Copyrights, and Trademarks. See GASB 51 for further guidance.]***

The carrying amount of impaired capital assets idle at year-end is $\_\_\_\_\_\_\_ for buildings and $\_\_\_\_\_\_\_ for machinery and equipment.

Supplies and services expense includes an impairment loss of $\_\_\_\_\_\_\_ due to \_\_\_\_\_\_\_\_\_\_, which is net of an insurance recovery of $\_\_\_\_\_\_\_\_\_. In addition, nonoperating revenues include an insurance recovery of \_\_\_\_\_\_ related to prior year impairments. ***[See GASB 42 for additional requirements regarding capital asset impairments.]***

***[Note to Preparer: If the College has significant assets that were recorded at acquisition value, explain the methods that were used to determine the asset’s value.]***

# Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2021, were as follows: ***[Note to preparer: Delete noncurrent section if not applicable.]***



# Note 8 - Short‑Term Debt - [Type]

***[Describe the short‑term debt. Example: The College uses a revolving line of credit to finance \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. This line of credit was necessary to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. (Note: Activity must be described even if no outstanding balance at year‑end - see GASB 38, paragraph 12.)]***

***[See GASB Statement 62 paragraph 36-40 for classification criteria regarding anticipation notes.]***

Short-term debt activity for the year ended June 30, 2021, was as follows:



**Unused Line(s) of Credit** - ***[If no current year activity (draws/repayments) or ending balance, remove table and include only this paragraph]*** The College has a line of credit agreement with **[financing entity]** for financing of an amount up to $\_\_\_\_\_\_\_\_. This line was unused during the year ended June 30, 2020 and has no outstanding balance. ***[Omit if not applicable. Modify as necessary*]**

***[GASB 88 also requires the following disclosures if applicable to short-term debt agreements: Assets pledged as collateral for short-term debt, or terms specified in short-term debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses]***

# Note 9 - Long‑Term Liabilities

***Note to preparer: Per GASB 88, direct borrowing are those with terms directly negotiated with the lender. GASB 88 paragraph 6 requires that information related to direct borrowings be separated from other debt in the notes to the financial statements.***

1. **Changes in Long-Term Liabilities** -A summary of changes in the long-term liabilities for the year ended June 30, 2021, is presented as follows:

**

***[Note to Preparer: Based on current legislation and the FY20 Comprehensive Annual Financial Report there is no amount due within one year for the College’s net pension liability or net OPEB liability during FY21.]***

**B. Notes from Direct Borrowings** -The College was indebted for notes from direct borrowings for the purposes shown in the following table:



***[Note to preparer: If any notes are secured by pledged revenues, see*** ***GASB 48 for disclosure requirements. The pledged revenue disclosure does not apply to the energy savings contracts.]***

The annual requirements to pay principal and interest on notes from direct borrowings at June 30, 2021, are as follows:



***[Report any long-term liabilities representing the College’s obligation to make payments under a Licensing Agreement (for commercially available software acquired through a licensing agreement requiring multi-year payments) in the above Notes Payable table.]***

**C. Terms of Debt Agreements** - ***[Per GASB 88 paragraph 5(b)-(c), disclosure should include assets pledged as collateral for debt as well as terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.]*** The Colleges’ debt agreements are subject to the following collateral requirements and terms with finance-related consequences: ***[Modify as necessary.]***

**Notes from Direct Borrowings** - ***[Describe assets pledged as collateral and significant terms. Similar terms can be referenced for multiple notes, as applicable. Omit if not applicable.]***

**Capital Leases** **Payable** - ***[Per GASB 88 paragraph 4, these disclosure requirements only apply to leases that are reported as a financed purchase of the underlying asset. For qualifying leases, describe assets pledged as collateral and significant terms. Similar terms can be referenced for multiple leases, as applicable. Omit if not applicable.]***

**Anticipation Notes** - ***[Describe assets pledged as collateral and significant terms. Similar terms can be referenced for multiple notes, as applicable. Omit if not applicable.]***

**D. Annuities Payable** - ***[Provide description of annuities payable, if applicable.]***

**E. Pollution Remediation Payable** - ***[See GASB 49, Accounting and Financial Reporting for Pollution Remediation Obligations. An example is provided as follows.]*** The College has recognized a pollution remediation liability for **[describe the nature and source of liability]**. The amount of the estimated liability is $\_\_\_\_\_\_\_\_\_\_. This estimate was calculated **[describe the methods and assumptions used when calculating the estimated liability]**. This liability is subject to potential changes due to **[describe potential changes; for example price increases or reductions, technology, or applicable laws or regulations]**. The amount of the estimated recoveries for this estimated liability is $\_\_\_\_\_\_\_\_\_\_\_. ***[Omit if not applicable. Modify as necessary.]***

The College has a pollution remediation liability that could not yet be recognized because it is not reasonably estimable. This liability is **[provide a general description of the nature of the pollution remediation activities]**. ***[Omit if not applicable. Modify as necessary.]***

**F. Anticipation Notes** -On [Date], the College entered into a loan agreement with [Lending Institution] for $\_\_\_\_\_\_\_\_ to be repaid with note proceeds received in [Date] as disclosed in Subsequent Event Note \_\_\_. [Provide a description of what the proceeds were used to finance].

***[See GASB Statement 62 paragraph 36-40]***

**G.Asset Retirement Obligations** - ***[See GASB 83 para. 27-29 for specific disclosure requirements. An example is provided as follows.]*** The College has recognized asset retirement obligations for **[describe the nature and source of obligation(s). Should include information about the associated capital asset]**. The amount of the estimated liability is $\_\_\_\_\_\_\_\_. This estimate was calculated **[describe the methods and assumptions used to measure the liability]**. The estimated remaining useful life for **[associated capital asset]** is **XX** years. Funding and assurance provisions associated with this obligation are being met through the use of **[surety bonds, insurance policies, letters of credit, etc.]**. Assets in the amount of $\_\_\_\_\_\_\_ are restricted for the payment of these obligations. ***[Omit if not applicable. Modify as necessary.]***

The College has an asset retirement obligation that could not yet be recognized because it is not reasonably estimable. This liability **[provide a general description of the nature of the obligation and reasons it is not reasonably estimable]. *[Omit if not applicable. Modify as necessary.]***

The College has a minority share of an asset retirement obligation related to **[disclose asset and joint agreement. See GASB 83, paragraph 29 for required elements]**. ***[Omit if not applicable. Modify as necessary.]***

# Note 10 - Lease Obligations

**A. Capital Lease Obligations** -Capital lease obligations relating to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 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, 2021:



Machinery and equipment acquired under capital lease amounted to $\_\_\_\_\_\_\_ at June 30, 2021. ***[Note to Preparer: Disclose the total gross amount of machinery and equipment included in capital assets that are associated with a capital lease as of 6/30/2020. Modify if assets other than machinery and equipment were obtained under capital leases.]***

Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled $\_\_\_\_\_\_\_ at June 30, 2020. ***[Note to preparer: Modify as necessary. See GASB 62 for authoritative guidance.]***

**B. Operating Lease Obligations** - The College entered into operating leases for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2021:



Rental expense for all operating leases during the year was $\_\_\_\_\_\_.

# Note 11 - Net Position

***[Per GASB 63 paragraph 14, describe any transactions that resulted in the recognition of a deferred outflow of resources or deferred inflow of resources in which a component of net position has been significantly affected. Common examples from the recognition of net pension liability and net OPB liability have been provided below. Another possible item includes Asset Retirement Obligations.]***

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



See Notes **XX** and **XX** for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively ***[modify to reference pension and OPEB disclosures]***.

# Note 12 - Revenues

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

****

***[Note to Preparer: GASB Codification Section 2200.191 requires revenues to be reported by major source. The level of disaggregation of sales and services is up to the discretion of the College based on the activity of each source of revenue. If the College does not have items (i.e. noncapital contributions, capital contributions, etc.) that are net of eliminations, discounts, uncollectibles, or other adjustments, they can be removed from the table above.]***

# Note 13 - Operating Expenses by Function

The College’s operating expenses by functional classification are presented as follows: ***[If capital asset impairment reported on face of the statements, add column here and reflect in appropriate function.]***



Included in the scholarship and fellowship function are student financial aid operating expenses for emergency financial aid payments to eligible students. These payments are for expenses related to the disruption of campus operations due to the coronavirus of $\_\_\_\_\_\_\_\_\_\_\_\_ provided by the Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the College in providing the student awards, the related program activity is reported as nonoperating Federal Aid – COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note **XX**.

# Note 14 - 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.

*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, 2021 was 14.78% of covered payroll. Employee contributions to the pension plan were $\_\_\_\_\_, and the College’s contributions were $\_\_\_\_\_ for the year ended June 30, 2021.

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 2020 *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 participate in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2020 *Comprehensive Annual Financial Report*.

*Net Pension Liability:* At June 30, 2021, the College reported a liability of $\_\_\_\_\_ for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. 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, 2020, the College’s proportion was \_\_\_%, which was an **[increase/decrease]** of \_\_\_from its proportion measured as of June 30, 2019, which was \_\_%.

*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:



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, 2019 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, 2020 (the valuation date) are summarized in the following table:



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, 2020 is 1.2%.

*Discount Rate:* The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2019 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, 2020 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:



*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* For the year ended June 30, 2021, the College recognized pension expense of $\_\_\_\_\_. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:



# Note 15 - 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 2020 *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.

1. **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 2020 *Comprehensive Annual Financial Report.*

1. Plan Descriptions
2. 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 XX. 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.

Section 35.21 (c) & (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in the Teachers’ and State Employees’ Retirement System (or in an allowed local system unit), the Consolidated Judicial Retirement System, or the Legislative Retirement System prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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, 2021 was 6.68% of covered payroll. The College’s contributions to the RHBF were $\_\_\_\_\_\_ for the year ended June 30, 2021.

1. Disability Income

*Plan Administration:* As discussed in Note XX, 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, 2021 was 0.09% of covered payroll. The College’s contributions to DIPNC were $\_\_\_\_\_\_ for the year ended June 30, 2021.

1. Net OPEB Liability (Asset)

*Net OPEB Liability:* At June 30, 2021, the College reported a liability of $\_\_\_\_\_ for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. 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, 2020, the College’s proportion was \_\_\_%, which was an/a [increase/decrease] of \_\_\_ from its proportion measured as of June 30, 2019, which was \_\_\_\_%.

*Net OPEB Asset:* At June 30, 2021, the College reported an asset of $\_\_\_\_\_ for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. 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, 2020, the College’s proportion was \_\_\_%, which was an/a [increase/decrease] of \_\_\_ from its proportion measured as of June 30, 2019, which was \_\_\_\_%.

*Actuarial Assumptions:* The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2020 utilizing update procedures incorporating the actuarial assumptions.



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, 2020.

Best estimates of real rates of return for each major asset class included in RHBF’s target asset allocation as of June 30, 2020 (the valuation date) are summarized in the following table:



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, 2020 is 1.2%.

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

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

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

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

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

*Discount Rate:* The discount rate used to measure the total OPEB liability for RHBF was 2.21%. 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 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of   
June 30, 2020.

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

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

**

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



*OPEB Expense:* For the fiscal year ended June 30, 2021, the College recognized OPEB expense as follows:



*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:* At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:





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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:



# Note 16 - 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. ***[Revise previous sentence as necessary.]***

1. **Public Entity Risk Pool**

**State Public Education Property Insurance Fund**

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

1. **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 **XX**, Other Postemployment Benefits, for additional information regarding retiree health benefits.

**2. Death Benefit Plan of North Carolina**

Term life insurance (death benefits) of $25,000 to $50,000 is provided to eligible workers who enroll in the Teachers’ and State Employees’ Retirement System. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.13% for the current fiscal year.

1. **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 **XX**, 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.

1. **Other Risk Management and Insurance Activities**
2. **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. ***[Note: This paragraph should only be used if your institution does not participate in the Public School Insurance Fund, as noted above in part A of this note. In the event that this paragraph does not apply, modify the title of this section to “Automobile Insurance”. Modify as necessary.]***

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

1. **Public Officers’ and Employees’ Liability Insurance**

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers’ and employees’ liability insurance up to $2,000,000 per claim and $5,000,000 in the aggregate per fiscal year via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

1. **Employee Dishonesty and Computer Fraud**

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

1. **Statewide Workers’ Compensation Program**

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

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

1. **Other Insurance Held by the College**

***[Disclose any material events related to risk management occurring during the fiscal year or after the balance sheet date.]***

***[Add the following paragraph to disclose any material retained risk not disclosed elsewhere in this note as required by GASB. (For example*** *-* ***medical malpractice.)]***

The College retained the following risks as of June 30, 2021: ***[Describe the risks retained by the College and applicable liabilities. See GASB 10 for disclosure requirements.]***

***[Add the following paragraph if other private insurance was purchased to address risks that could be of a material nature.]***

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. ***[Describe other types of insurance purchased and applicable coverage. See GASB 10 for disclosure requirements.]***

# Note 17 - Commitments and Contingencies

***[Note to Preparer: Modify as necessary. If significant contingencies exist see GASB 62 paragraphs 106 through 110 for full disclosure requirements]***

**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 $\_\_\_\_\_\_\_\_ and on other purchases were $\_\_\_\_\_\_\_\_ at June 30, 2021. ***[Modify as considered necessary. Other purchases that are not significant to the financial statements may be omitted.]***

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

**C. Other Contingent Receivables** - ***[Describe any other contingent receivable resulting from nonexchange transactions for which disclosure has not already been made that could have a material effect on the financial statements.]*** The College has received notification of other gifts and grants for which funds have not been disbursed by the resource provider and for which conditions attached to the gift or grant have not been satisfied or, in the case of permanent endowments, cannot begin to be satisfied. In accordance with accounting principles generally accepted in the United States of America, these amounts have not been recorded on the accompanying financial statements. The purpose and amount of other contingent receivables at year-end are as follows:



***[Omit if not applicable.]***

# Note 18 - The Coronavirus Pandemic Emergency

***[Describe any significant transactions or events that are either unusual or infrequent but not within control of management. A separate disclosure may be required for any government combination and/or disposals of government operations subject to disclosure per GASB 69. Note that this would be a disclosure separate from any items deemed ‘unusual or infrequent’ in nature.*** ***Below is the pro forma disclosure relating to the Coronavirus Pandemic Emergency provided by the Community College System Office. Any other significant transactions or events should be disclosed in a separate disclosure after this disclosure.]***

In response to the coronavirus pandemic emergency, the federal government provided grants to the State and the College through various coronavirus program funds appropriated by (1) The Coronavirus Aid, Relief, and Economic Security (CARES) Act, (2) The Coronavirus Response and Relief Supplemental Appropriations within the Federal Consolidated Appropriations Act of 2021 (CRRSA), and (3) The American Rescue Plan Act of 2021 (ARP).

The grant revenues from the various coronavirus program funds are contingent upon meeting the terms and conditions of the grant and signed agreements with the funding agencies, incurring qualifying expenditures, and are reported in the following nonoperating revenue captions of the financial statements:

**State Aid - Coronavirus -** This caption includes grant funds received directly by the State from the Department of US Treasury, Coronavirus Relief Fund (CRF), and appropriated by the State to the College.

**Federal Aid - COVID-19-** This caption includes grant funds received directly by the College from the US Department of Education, Higher Education Emergency Relief Funds (HEERF), and the US Department of Homeland Security, FEMA Disaster Recovery Funds (DRF).

[This caption also includes pass-through grant funds from the US Department of Education, Elementary and Secondary School Emergency Relief (ESSER) Fund and the Governors Emergency Education Relief (GEER) Fund. (Remove or adjust as deemed appropriate)

***[If your institution chooses to disclose additional CRF revenues awarded from a source other than the State or Federal government (county, e.g.), add additional section with applicable revenue caption. See example below]***

**Noncapital Contributions -** This caption includes CRF revenues awarded to the College from X County. Of the $\_\_\_\_\_ total awarded to the College, $\_\_\_\_\_\_ was reported as revenue during the year ended June 30, 2021. These funds are subject to the same general requirements as CRF amounts received from other sources.

**Summary of State and Federal Aid - COVID-19 Revenue Activities for the Fiscal Year Ended June 30, 2021:**

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# Note 19 - Related Parties

***[Describe related parties, such as foundations and nonprofit corporations (EXCLUDING COMPONENT UNITS THAT HAVE BEEN BLENDED WITH THE COLLEGE’S FINANCIAL STATEMENTS OR DISCRETELY PRESENTED UNDER GASB 39 REQUIREMENTS*** ***as significant transactions for these entities are disclosed in Note 1), and disclose the nature and amount of transactions between the College and the related party. For example:]***

**Foundation** -The **[name of the foundation]** is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College’s overall academic environment. The College’s financial statements do not include the assets, liabilities, net position, or operational transactions of the Foundation, except for support from the Foundation. This support approximated $\_\_\_\_\_\_\_ for the year ended June 30, 2020. The College had receivables from and payables to the related party(ies) of $\_\_\_\_\_ and $\_\_\_\_\_, respectively, as of June 30, 2021. ***[Remove receivable and/or payable language if not applicable.]***

# Note 20 - Blended Component Unit(s)

Condensed combining information for the College’s blended component unit(*s*) for the year ended June 30, 2021, is presented as follows:

***Note to preparer: See GASB 61 paragraph 9 for complete requirements of the condensed combining information. The following example template was developed based off on these requirements. Amounts in the primary government and Blended Component Unit columns should be gross before blending of the component units and any eliminations between the College and the component unit. The total column should agree to the respective financial statement. Amounts receivable from or payable to the primary government or other component units should be reported separately in the Eliminations columns in the SNP and SRECNP below. This elimination column should total to zero. If there are any significant eliminations that should be explained separately, add them below the condensed combining financial statements in a separate paragraph. Complete for all blended component units. Modify as necessary.***







# Note 21 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2021, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

*GASB Statement No. 84, Fiduciary Activities*

*GASB Statement No. 93, Replacement of Interbank Offered Rates*

*GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

GASB Statement No. 84 improves guidance regarding the identiﬁcation of ﬁduciary activities for accounting and ﬁnancial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for 90-days or less.

GASB Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR).

GASB Statement No. 97’s primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

***[Note to Preparer: If a GASB listed here does not impact your College, remove the GASB. If no GASBs listed impact your College, remove the disclosure entirely.]***

# Note 22 - Net Position Restatement(s)

As of July 1, 2020, net position as previously reported was restated as follows: ***[If reason for restatement is not obvious as presented below, give brief description here. See GASB 62 paragraphs 62 and 89 for additional guidance. Modify as necessary.***



# Note 23 - Subsequent Event(s)

***[Describe significant events subsequent to the Statement of Net Position date through the report date.]***