

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



CENTRAL CAROLINA COMMUNITY COLLEGE

SANFORD, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



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STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Trustees, Central Carolina Community College

We have completed a financial statement audit of Central Carolina Community College for the year ended June 30, 2018, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in black ink that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor



**Beth A. Wood, CPA
State Auditor**

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



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Central Carolina Community College
Sanford, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Central Carolina Community College (College), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Central Carolina Community College Foundation, Inc., the College's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for Central Carolina Community College Foundation, Inc., are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Central Carolina Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Central Carolina Community College, and its discretely presented component unit, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, during the year ended June 30, 2018, Central Carolina Community College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended by Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017*. Our opinion is not modified with respect to this matter.

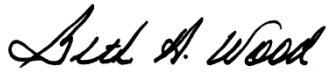
Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2019 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our

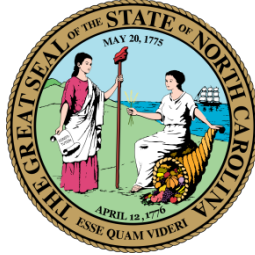
testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Beth A. Wood". The signature is written in a cursive, flowing style.

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 5, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Central Carolina Community College's (College) financial statements presents Management's Discussion and Analysis (MD&A) of the College's financial activity during the fiscal years ended June 30, 2018 and June 30, 2017. This MD&A focuses on current activities, resulting changes, and currently known facts. Please read it in conjunction with the College's basic financial statements and the notes to the financial statements. For more information, please contact the Division of Finance at (919) 718-7498.

Overview of the Financial Statements

The basic financial statements focus on the College as a whole and consist of the following basic components: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; Statement of Cash Flows; and Notes to the Financial Statements.

- The Statement of Net Position presents the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the differences being reported as net position. Net position reflects the differences in revenues and expenses over the life of the College. The comparison of net position assists the reader in determining the growth and stability of the College.
- The Statement of Revenues, Expenses, and Changes in Net Position displays revenue and expense activities of the College. The net effect of revenues and expenses rolls into net position which reflects the current year activities.
- The Statement of Cash Flows is prepared using the direct method. This statement shows the net changes in cash resulting from operating, investing, noncapital financing, and capital financing activities.
- The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided.

The financial statements also include a Statement of Financial Position, Statement of Activities, and certain note disclosures for the College's discretely presented component unit, the Central Carolina Community College Foundation, Inc. (Foundation); however, the Foundation is not included in management's discussion and analysis. More information describing the relationship between the College and Foundation can be found in Note 1A.

Statement of Net Position

Institutional Assets

- Total assets recorded by the College as of June 30, 2018 were \$60,928,076.45, an increase of \$13,099,180.05 as compared to total assets as of June 30, 2017 of \$47,828,896.40.
- The College recognized an increase in capital assets of \$13,390,465.28, which accounted for the largest increase in total assets. Construction of new buildings in the College's service area (Chatham, Lee, and Harnett counties) and the purchase of capitalized equipment for these buildings accounted for this significant increase as compared to the prior year.
- Activity related to the Lee County bond funds increased during the fiscal year, creating a net increase in construction in progress of \$9,268,090.65 and additions to buildings of \$4,915,791.57. New buildings added to capital assets were the Emergency Services Training Center (ESTC) Building and Civic Center addition. Additional information is

provided below in this analysis regarding the College's current construction and renovation projects.

Deferred Outflows of Resources

- Deferred outflows of resources related to pensions decreased significantly (\$3,050,055.00) as compared to the prior year due to changes in the actuarial valuation of the State's pension plan.
- The implementation of Governmental Accounting Standards Board (GASB) Statement No. 75 for fiscal year 2018 created significant reporting changes to the financial statements as related to postemployment benefits other than pensions (OPEB). Per the statement, the College was required to record its proportionate share of the State's net OPEB liability/asset, OPEB expense, and associated deferred inflows of resources and deferred outflows of resources for the cost-sharing, multiple-employer, defined benefit OPEB plans in which it participates. More information on pension and OPEB related amounts can be found in Note 12 - Pension Plans and Note 13 - Other Postemployment Benefits.

Institutional Liabilities

- Accounts payable and accrued liabilities at June 30, 2018 increased by \$446,612.06 over the prior year due mainly to payables associated with the Workforce Innovation and Opportunity Act grant (an increase of \$213,516.09) and First in the World grant (an increase of \$171,501.21).
- Unearned revenue increased by \$126,641.81 compared to the prior year, not only because of an increase in receipts from tuition and fees for the summer term, but also because more class days in the summer semester occurred after July 1.
- The net pension liability decreased by \$1,886,715.00 in 2018, which appears small compared to the posting of the net OPEB liability prior year adjustment of \$54,801,232.00 on the restated 2017 statements. While the net OPEB liability did decrease by \$14,802,996.00 during 2018, the total liability of \$39,998,236.00 created a major impact on the financial statements for the 2018 fiscal year. Additional information regarding the effect of pension and OPEB plans on the financial statements can be found in Note 9 - Net Position.

Net Position

- Total net position increased by \$11,162,045.70 from the prior year. This increase was primary due to the increase of \$13,379,624.60 in net investment in capital assets as a result of the capital asset additions discussed above. Unrestricted net position decreased by \$1,964,213.06 from the prior period due to decreases in operating revenues and increases in operating expenses as discussed below.

Condensed Statement of Net Position

	2018	2017 (as Restated)	Increase/ (Decrease)
Assets:			
Current Assets	\$ 5,759,790.80	\$ 5,980,717.60	\$ (220,926.80)
Noncurrent Assets			
Other Noncurrent Assets		67,731.43	(67,731.43)
Net OPEB Asset	76,290.00	78,917.00	(2,627.00)
Capital Assets, Net	55,091,995.65	41,701,530.37	13,390,465.28
Total Assets	60,928,076.45	47,828,896.40	13,099,180.05
Deferred Outflows Related to Pensions	6,330,118.00	9,380,173.00	(3,050,055.00)
Deferred Outflows Related to OPEB	1,386,763.00	1,283,143.00	103,620.00
Total Deferred Outflows of Resources	7,716,881.00	10,663,316.00	(2,946,435.00)
Liabilities:			
Current			
Accounts Payable and Accrued Liabilities	3,211,569.77	2,764,957.71	446,612.06
Long-Term Liabilities - Current Portion	291,203.06	303,559.47	(12,356.41)
Other Current Liabilities	379,535.75	233,745.45	145,790.30
Noncurrent			
Long-Term Liabilities	53,682,425.11	70,333,888.71	(16,651,463.60)
Total Liabilities	57,564,733.69	73,636,151.34	(16,071,417.65)
Deferred Inflows Related to Pensions	377,820.00	616,821.00	(239,001.00)
Deferred Inflows Related to OPEB	15,301,118.00		15,301,118.00
Total Deferred Inflows of Resources	15,678,938.00	616,821.00	15,062,117.00
Net Position:			
Net Investment in Capital Assets	53,899,689.99	40,520,065.39	13,379,624.60
Restricted	1,104,008.49	1,357,374.33	(253,365.84)
Unrestricted	(59,602,412.72)	(57,638,199.66)	(1,964,213.06)
Total Net Position	\$ (4,598,714.24)	\$ (15,760,759.94)	\$ 11,162,045.70

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position provides information regarding the College's activities for the year ended June 30, 2018.

Operating Revenues

- Operating revenues for the College are comprised of tuition and fees (\$4,163,520.33) and sales and services (\$509,439.09). These amounts are reported net of applicable discounts and allowances in the financial statements.
- There was a decrease of \$532,070.60 in net tuition and fee revenues in 2018 as compared to 2017. This decrease is attributed to a decrease in enrollment and the larger percentage of high school students enrolled in classes through the Central Carolina Works program. Curriculum tuition is waived for high school students taking classes at community colleges in North Carolina. State tuition revenue decreased by \$469,220.29 in 2018, while student fees with significant decreases included the Student Government Association (a decrease of \$29,621.55) and community service receipts (a decrease of \$34,401.83).

- Net sales and services revenues are comprised mainly of commissions associated with the campus bookstore, patron fees, and rental funds for the Dennis Wicker Civic Center (DWCC). While patron fees remained flat, bookstore revenues decreased by \$116,436.90 and DWCC rental funds decreased by \$37,664.99. Bookstore revenues decreased due to the decrease in enrollment noted above and more students purchasing books online. As a result of decreased financial aid which allows students to charge their books in the bookstore, more students are purchasing books from other sources. DWCC rental funds decreased due to the Center being closed for renovations during 2017-2018.

Nonoperating Revenues

- Nonoperating revenues comprise the major portion of the College's revenue and include state funds allocated to the College based on the full-time-equivalent (FTE) formula budget computation from the NC State Board of Community College for current expenses and equipment.
- While FTE for 2018 decreased by 97 FTE from the prior fiscal year, the College noted an increase of \$1,062,961.92 in state aid compared to 2017. This is attributed in part to the performance-based allocation of \$374,303.00 and salary increase allocations of \$611,550.00.
- County appropriations for Lee, Chatham, and Harnett counties increased by a total of \$208,517.09, with the largest increases attributable to Lee (\$101,047.75) and Harnett (\$89,578.23). These increases were mainly associated with adding additional county-funded positions.
- Noncapital grants for federal student financial aid decreased again in fiscal year 2018 due to the decline in traditional on-campus students attending the College.
- The increase in noncapital grants can be credited to the College's receipt of two additional TRIO grants: Upward Bound – Harnett (\$112,937.31) and Upward Bound – Lee (\$119,881.99). With the addition of these grants, the College now has a total of six federal TRIO grants.
- The federal pass-through grant expenses represent funds provided to the other nine community college participants in the First in the World grant.
- Capital contributions showed an overall increase of \$10,697,266.52. This is due to the increase in construction funds received from Lee County (\$14,596.819.80) for on-going capital projects.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2018	2017* (as Restated)	Increase/ (Decrease)
Operating Revenues and Expenses:			
Student Tuition and Fees, Net	\$ 4,163,520.33	\$ 4,695,590.93	\$ (532,070.60)
Sales and Services, Net	509,439.09	664,700.60	(155,261.51)
Less Operating Expenses	54,974,411.75	52,017,955.75	2,956,456.00
Operating Loss	(50,301,452.33)	(46,657,664.22)	(3,643,788.11)
Nonoperating Revenues (Expenses):			
State Aid	26,040,452.91	24,977,490.99	1,062,961.92
County Appropriations	4,817,887.53	4,609,370.44	208,517.09
Noncapital Grants - Federal Student Financial Aid	7,227,579.82	7,462,899.91	(235,320.09)
Noncapital Grants	7,213,115.05	6,969,309.15	243,805.90
Investment Income	19,904.91	24,406.29	(4,501.38)
Other Nonoperating Revenues	13,278.68	13,922.22	(643.54)
Federal Pass-through Grant Expenses	(1,186,104.39)	(1,072,923.20)	(113,181.19)
Net Nonoperating Revenues	44,146,114.51	42,984,475.80	1,161,638.71
Loss Before Other Revenues	(6,155,337.82)	(3,673,188.42)	(2,482,149.40)
Capital Aid, Grants, and Gifts	17,317,383.52	6,620,117.00	10,697,266.52
Increase in Net Position	11,162,045.70	2,946,928.58	8,215,117.12
Net Position, July 1	(15,760,759.94)	34,731,483.48	(50,492,243.42)
Restatement		(53,439,172.00)	
Net Position, June 30	\$ (4,598,714.24)	\$ (15,760,759.94)	\$ 11,162,045.70
Reconciliation of Change in Net Position			
Total Revenues	\$ 67,322,561.84	\$ 56,037,807.53	\$ 11,284,754.31
Less: Total Expenses	56,160,516.14	53,090,878.95	3,069,637.19
Increase in Net Position	\$ 11,162,045.70	\$ 2,946,928.58	\$ 8,215,117.12

* Note - The restatement related to implementation of GASB 75 is presented as a separate line because actuarial calculations do not provide sufficient information to identify the restated amounts.

Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits.

- Salaries and benefits account for 64.6% of the total operating expenses of the College. During 2018, the state budget allocated \$421,969.00 in recurring funds for compensation increases, with which the College provided a \$1,008.00 salary increase to all full-time personnel. In addition, \$563,884.00 in compensation increase funding was appropriated by the State to be used for salary increases for retention, market rate adjustments, educational attainment, changes in responsibility, and performance-based adjustments. The College also experienced an increase in expenses associated with pension and OPEB plans due to increases in required contribution rates.

- Supplies and materials expenditures increased significantly from the prior year due to the purchase of small equipment and furniture for occupancy of new buildings: Lee Health Sciences Center, Veterinary Medical Building, ESTC Building, and Civic Center addition and renovations.
- Utilities expenditures experienced an increase due to completion and occupancy of construction projects.
- Depreciation expense for 2018 decreased due to the College's re-evaluation of the estimated useful lives of capital assets during the period. Changes in estimated useful lives based on this re-evaluation resulted in a \$288,818.81 reduction in current year depreciation expense. Assets affected by this analysis were equipment (\$241,846.83), motor vehicles (\$8,850.38), and buildings (\$38,121.60).

	Operating Expenses		
	2018	2017 (as Restated)	Increase/ Decrease
Salaries and Benefits	\$ 35,535,567.24	\$ 33,802,898.78	\$ 1,732,668.46
Supplies and Materials	5,753,692.19	3,973,357.54	1,780,334.65
Services	6,081,784.83	6,509,272.45	(427,487.62)
Scholarships and Fellowships	5,354,472.06	5,396,530.69	(42,058.63)
Utilities	969,020.79	811,551.45	157,469.34
Depreciation	1,279,874.64	1,524,344.84	(244,470.20)
Total Operating Expenses	<u>\$ 54,974,411.75</u>	<u>\$ 52,017,955.75</u>	<u>\$ 2,956,456.00</u>

Significant Capital Asset Activities

The following information details the major accomplishments in construction at the College during fiscal year 2018.

Lee County Bond Funds

- Health Science Center (Lee County): This building project has a total budget of \$9,000,000.00. As of June 30, 2018, \$8,461,458.01 had been expended or accrued toward completion (94% completed).
- Veterinary Medical Facility and Renovations (Lee County): This building project has a total budget of \$5,000,000.00. As of June 30, 2018, \$4,228,247.87 had been expended or accrued toward completion (85% completed).
- ESTC and Lee Main Campus Renovations (Lee County): This building and renovation project has a total budget of \$4,000,000.00. As of June 30, 2018, \$2,924,379.43 had been expended or accrued toward completion (73% completed).
- Civic Center Expansion (Lee County): This building and renovation project has a total budget of \$5,000,000.00. As of June 30, 2018, \$4,027,011.07 had been expended or accrued toward completion (81% completed).

Connect NC State Bond Funds

The College received an allocation of \$6,307,085.00 from the Connect NC Bond approved by North Carolina voters in March 2016. There were five projects associated with these funds in 2017-2018:

- Economic and Community Development Center (formerly Telecommunications Center, Lee County): This capital renovation project had a total budget of \$495,000.00. Total expenditures through June 30, 2018 equaled \$229,353.81 (100% completed, under budget).
- West Harnett Center – Auto Body (Harnett County): This capital renovation project has a total allocation of \$1,000,000.00. As of June 30, 2018, \$918,901.09 had been expended or accrued for this project (92% completed).

Chatham County Construction

- Health Sciences Center (Chatham County): This project has a budget of \$13,257,807.00, with funding provided by Chatham County (\$11,157,807.00) and Connect NC state bond funds (\$2,100,000.00). As of June 30, 2018, \$896,619.25 had been expended toward completion of this project (7% completed).

Economic Forecast

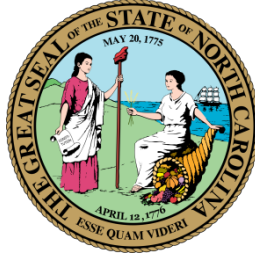
Central Carolina Community College is well positioned to meet the needs of its growing service area. The College strives to maintain a strong financial base and will continue to be an asset to its service area for many years.

The College's state funding is primarily driven by FTE earned by the College. The College's FTE has remained relatively stable even though the local economy has been strong and fewer traditional-age college students are currently in the market to attend college. The College has been able to offset this decrease in students by increasing program offerings to high school students.

The College established the Central Carolina Promise for Lee County high school graduates beginning the fall semester of 2018. Through this program, eligible Lee County high school graduates will have their tuition and fees paid by Lee County to attend the College for two years. College officials are currently working with Chatham and Harnett counties to establish programs for graduates of those counties as well. Approximately 80 students signed up for the program in Lee County for the fall semester of 2018. The College anticipates this program growing in future years and hopes it will have a positive impact on our traditional-age FTE.

Chatham, Harnett, and Lee counties continue to meet the College's facilities operational expense needs. All counties have approved increases in funding for the 2019 fiscal year. The counties in our service area continue to be very supportive of the College.

The College continues to look for new funding sources for a variety of activities and projects, and has been successful in recent years in receiving a variety of grants from the federal Department of Education, National Science Foundation, and Duke Energy Foundation. Community colleges continue to be an affordable option for citizens of our local communities. Our tuition remains well below that of four-year colleges and universities in the State.



FINANCIAL STATEMENTS

Central Carolina Community College
Statement of Net Position
June 30, 2018

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 2,297,518.24
Restricted Cash and Cash Equivalents	518,295.75
Receivables, Net (Note 4)	2,672,492.19
Inventories	263,339.62
Prepaid Items	8,145.00

Total Current Assets 5,759,790.80

Noncurrent Assets:

Net Other Postemployment Benefits Asset	76,290.00
Capital Assets - Nondepreciable (Note 5)	18,503,498.98
Capital Assets - Depreciable, Net (Note 5)	36,588,496.67

Total Noncurrent Assets 55,168,285.65

Total Assets 60,928,076.45

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	6,330,118.00
Deferred Outflows Related to Other Postemployment Benefits (Note 13)	1,386,763.00

Total Deferred Outflows of Resources 7,716,881.00

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	3,211,569.77
Unearned Revenue	319,232.43
Funds Held for Others	60,303.32
Long-Term Liabilities - Current Portion (Note 7)	291,203.06

Total Current Liabilities 3,882,308.58

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	53,682,425.11
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Total Liabilities 57,564,733.69

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	377,820.00
Deferred Inflows Related to Other Postemployment Benefits (Note 13)	15,301,118.00

Total Deferred Inflows of Resources 15,678,938.00

Central Carolina Community College
Statement of Net Position
June 30, 2018

Exhibit A-1
Page 2 of 2

NET POSITION

Net Investment in Capital Assets	53,899,689.99
Restricted for:	
Expendable:	
Scholarships and Fellowships	26,731.95
Loans	5,743.08
Capital Projects	711,700.86
Restricted for Specific Programs	353,542.72
Other	6,289.88
Unrestricted	<u>(59,602,412.72)</u>
Total Net Position	<u><u>\$ (4,598,714.24)</u></u>

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

Central Carolina Community College
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2018

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 10)	\$ 4,163,520.33
Sales and Services, Net (Note 10)	509,439.09
Total Operating Revenues	<u>4,672,959.42</u>

EXPENSES

Operating Expenses:

Salaries and Benefits	35,535,567.24
Supplies and Materials	5,753,692.19
Services	6,081,784.83
Scholarships and Fellowships	5,354,472.06
Utilities	969,020.79
Depreciation	<u>1,279,874.64</u>
Total Operating Expenses	<u>54,974,411.75</u>
Operating Loss	<u>(50,301,452.33)</u>

NONOPERATING REVENUES (EXPENSES)

State Aid	26,040,452.91
County Appropriations	4,817,887.53
Noncapital Grants - Federal Student Financial Aid	7,227,579.82
Noncapital Grants	7,213,115.05
Investment Income	19,904.91
Other Nonoperating Revenues	13,278.68
Federal Pass-through Grant Expenses	<u>(1,186,104.39)</u>
Net Nonoperating Revenues	<u>44,146,114.51</u>
Loss Before Other Revenues	(6,155,337.82)
State Capital Aid	1,598,568.16
County Capital Aid	15,573,097.36
Capital Grants	144,718.00
Capital Gifts	<u>1,000.00</u>
Increase in Net Position	11,162,045.70

NET POSITION

Net Position, July 1, 2017, as Restated (Note 17)	<u>(15,760,759.94)</u>
Net Position, June 30, 2018	<u>\$ (4,598,714.24)</u>

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

Central Carolina Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 4,837,188.01
Payments to Employees and Fringe Benefits	(34,168,912.83)
Payments to Vendors and Suppliers	(12,599,609.13)
Payments for Scholarships and Fellowships	(5,352,583.07)
Other Receipts	<u>154,179.52</u>
Net Cash Used by Operating Activities	<u>(47,129,737.50)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	26,040,452.91
County Appropriations	4,817,887.53
Noncapital Grants - Federal Student Financial Aid	7,221,956.33
Noncapital Grants	6,777,600.06
Federal Pass-through Grants	<u>(1,186,104.39)</u>
Net Cash Provided by Noncapital Financing Activities	<u>43,671,792.44</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

State Capital Aid Received	1,598,568.16
County Capital Aid	15,602,630.62
Capital Grants	144,718.00
Capital Gifts	1,000.00
Acquisition and Construction of Capital Assets	<u>(14,694,633.90)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>2,652,282.88</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	<u>19,904.91</u>
Cash Provided by Investing Activities	<u>19,904.91</u>
Net Decrease in Cash and Cash Equivalents	(785,757.27)
Cash and Cash Equivalents, July 1, 2017	<u>3,601,571.26</u>
Cash and Cash Equivalents, June 30, 2018	<u><u>\$ 2,815,813.99</u></u>

Central Carolina Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (50,301,452.33)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,279,874.64
Nonoperating Other Income	48,413.34
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	126,093.46
Inventories	(37,839.90)
Prepaid Items	(2,246.17)
Net Other Postemployment Benefits Asset	2,627.00
Deferred Outflows Related to Pensions	3,050,055.00
Deferred Outflows Related to Other Postemployment Benefits	(103,620.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	264,270.17
Unearned Revenue	126,641.81
Funds Held for Others	19,148.49
Net Pension Liability	(1,886,715.00)
Net Other Postemployment Benefits Liability	(14,802,996.00)
Compensated Absences	25,890.99
Deferred Inflows Related to Pensions	(239,001.00)
Deferred Inflows Related to Other Postemployment Benefits	15,301,118.00
Net Cash Used by Operating Activities	<u>\$ (47,129,737.50)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 2,297,518.24
Restricted Cash and Cash Equivalents	<u>518,295.75</u>
Total Cash and Cash Equivalents - June 30, 2018	<u>\$ 2,815,813.99</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 1,192,305.66
Increase in Receivables Related to Nonoperating Income	583,106.43
Loss on Disposal of Capital Assets	(35,134.66)

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

Central Carolina Community College Foundation, Inc.
Statement of Financial Position
June 30, 2018

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	1,389,566
Accrued Sales Tax Receivable		1,201
Investments		<u>6,678,696</u>
Total Assets	\$	<u>8,069,463</u>

NET ASSETS

Unrestricted	\$	2,038,815
Temporarily Restricted		1,739,727
Permanently Restricted		<u>4,290,921</u>
Total Net Assets	\$	<u>8,069,463</u>

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

Central Carolina Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Exhibit B-2

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Revenues and Other Support				
Contributions	\$ 158,036	\$ 590,748	\$ 151,758	\$ 900,542
Fund Raising Activities	71,102			71,102
Investment Return	202,916	268,682		471,598
Transfers from Funds	(1,819)	(6,796)	8,615	
Net Assets Released from Restrictions	436,209	(436,209)		
Total Revenues and Other Support	866,444	416,425	160,373	1,443,242
EXPENSES				
Awards and Scholarships	493,535			493,535
General and Administrative	209,919			209,919
Fundraising	19,701			19,701
Total Expenses	723,155			723,155
Increase in Net Assets	143,289	416,425	160,373	720,087
NET ASSETS				
Net Assets, Beginning of Year	1,895,526	1,323,302	4,130,548	7,349,376
Net Assets, End of Year	\$ 2,038,815	\$ 1,739,727	\$ 4,290,921	\$ 8,069,463

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



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of not less than one nor more than eight of the voluntary Trustees of Central Carolina Community College, and such non-Trustee members may be selected pursuant to the bylaws of the Foundation. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2018, the Foundation distributed \$493,535 to the College for unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Services Division,

Central Carolina Community College, 1105 Kelly Drive, Sanford, NC 27330.

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

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

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

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

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The College's equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 3.
- E. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct

and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

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

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

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

- H. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.
- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability that will not be paid within the next fiscal year.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2017 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 12 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the College's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2017 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 13 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and

noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

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

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

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

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

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

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

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

Unrestricted Net Position - Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income. It also includes the net position of accrued employee

benefits such as compensated absences, pension plans, and other postemployment benefits.

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

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

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

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

O. County Appropriations - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and

to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

College - The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling \$3,325.00, and deposits in private financial institutions with a carrying value of \$1,351,459.32 and a bank balance of \$1,542,918.92.

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, 2018, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

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

of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2018, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$1,461,029.67, 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 1.4 years as of June 30, 2018. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

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

	Cost	Fair Value
Mutual Funds	\$ 6,592,069	\$ 6,678,696

The following schedule summarizes the investment return for the fiscal year ended June 30, 2018:

	Unrestricted	Temporarily Restricted
Interest and Dividends	\$ 109,951	\$ 101,620
Unrealized Gain	30,971	55,656
Realized Gain	61,994	111,406
	<u>\$ 202,916</u>	<u>\$ 268,682</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

College - To the extent available, the College's investments are recorded at fair value as of June 30, 2018. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an

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

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

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

Short-Term Investment Fund - At year-end, all of the College's investments valued at \$1,461,029.67 were held in the STIF. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The College's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Component Unit - Financial Accounting Standards Board Statement Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* (FASB ASC 820), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets.

- Level 2 Inputs - Observable inputs other than Level 1 prices, such as quoted prices for similar assets, or other inputs that can be corroborated by observable market data for substantially the full term of the assets.
- Level 3 Inputs - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Certificates of deposit: Valued at quoted prices in active markets for identical assets.

Mutual funds: Valued at the quoted market prices of shares held by the plan at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table represents assets reported on the statement of financial position at their fair value as of June 30, 2018, by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 591,845	\$ 0	\$ 0	\$ 591,845
Mutual Funds	6,678,696			6,678,696
Total Assets at Fair Value	<u>\$ 7,270,541</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,270,541</u>

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Receivables:			
Students	\$ 835,728.43	\$ 457,593.77	\$ 378,134.66
Student Sponsors	56,789.16		56,789.16
Grant Sponsors	93,895.44		93,895.44
Intergovernmental	2,137,249.30		2,137,249.30
Other	6,677.11	253.48	6,423.63
Total Receivables	\$ 3,130,339.44	\$ 457,847.25	\$ 2,672,492.19

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2018, is presented as follows:

	Balance July 1, 2017 (as Restated)	Increases	Decreases	Balance June 30, 2018
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 4,346,871.35	\$ 0.00	\$ 0.00	\$ 4,346,871.35
Construction in Progress	4,888,536.98	10,696,297.70	1,428,207.05	14,156,627.63
Total Capital Assets, Nondepreciable	9,235,408.33	10,696,297.70	1,428,207.05	18,503,498.98
Capital Assets, Depreciable:				
Buildings	47,590,142.11	4,915,791.57		52,505,933.68
Machinery and Equipment	8,179,913.83	521,592.36	90,458.48	8,611,047.71
General Infrastructure	622,300.11			622,300.11
Total Capital Assets, Depreciable	56,392,356.05	5,437,383.93	90,458.48	61,739,281.50
Less Accumulated Depreciation for:				
Buildings	19,768,815.59	1,039,042.59		20,807,858.18
Machinery and Equipment	3,821,421.74	201,326.73	55,323.82	3,967,424.65
General Infrastructure	335,996.68	39,505.32		375,502.00
Total Accumulated Depreciation	23,926,234.01	1,279,874.64	55,323.82	25,150,784.83
Total Capital Assets, Depreciable, Net	32,466,122.04	4,157,509.29	35,134.66	36,588,496.67
Capital Assets, Net	\$ 41,701,530.37	\$ 14,853,806.99	\$ 1,463,341.71	\$ 55,091,995.65

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2018, were as follows:

	<u>Amount</u>
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 1,057,245.94
Accounts Payable - Capital Assets	1,192,305.66
Accrued Payroll	942,932.02
Other	<u>19,086.15</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 3,211,569.77</u>

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2018, is presented as follows:

	<u>Balance July 1, 2017 (as Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>
Compensated Absences	\$ 2,784,949.18	\$ 2,316,861.74	\$ 2,290,970.75	\$ 2,810,840.17	\$ 291,203.06
Net Pension Liability	13,051,267.00		1,886,715.00	11,164,552.00	
Net Other Postemployment Benefits Liability	<u>54,801,232.00</u>		<u>14,802,996.00</u>	<u>39,998,236.00</u>	
Total Long-Term Liabilities	<u>\$ 70,637,448.18</u>	<u>\$ 2,316,861.74</u>	<u>\$ 18,980,681.75</u>	<u>\$ 53,973,628.17</u>	<u>\$ 291,203.06</u>

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

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

NOTE 8 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for copiers and facilities. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2018:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 110,192.96
2020	105,962.08
2021	105,962.08
2022	105,962.08
2023	<u>105,962.08</u>
Total Minimum Lease Payments	<u>\$ 534,041.28</u>

Rental expense for all operating leases during the year was \$328,512.78.

NOTE 9 - NET POSITION

The deficit in unrestricted net position of \$59,602,412.72 has been significantly affected by transactions that resulted in the recognition of deferred outflows of resources and deferred inflows of resources. A summary of the balances reported within unrestricted net position relating to the reporting of net pension liability and net other postemployment benefits (OPEB) liability, and the related deferred outflows of resources and deferred inflows of resources is presented as follows:

	TSERS	Retiree Health Benefit Fund	Total
Deferred Outflows Related to Pensions	\$ 6,330,118.00	\$ 0.00	\$ 6,330,118.00
Deferred Outflows Related to OPEB		1,316,214.00	1,316,214.00
Noncurrent Liabilities:			
Long-Term Liabilities:			
Net Pension Liability	11,164,552.00		11,164,552.00
Net OPEB Liability		39,998,236.00	39,998,236.00
Deferred Inflows Related to Pensions	377,820.00		377,820.00
Deferred Inflows Related to OPEB		15,301,118.00	15,301,118.00
Net Effect on Unrestricted Net Position	<u>\$ (5,212,254.00)</u>	<u>\$ (53,983,140.00)</u>	<u>\$ (59,195,394.00)</u>

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

NOTE 10 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$ 7,273,949.19</u>	<u>\$ 2,902,016.39</u>	<u>\$ 208,412.47</u>	<u>\$ 4,163,520.33</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 58,154.86	\$ 0.00	\$ 0.00	58,154.86
Bookstore	287,950.98		68,726.33	219,224.65
Sales and Services of Education and Related Activities	<u>232,059.58</u>			<u>232,059.58</u>
Total Sales and Services, Net	<u>\$ 578,165.42</u>	<u>\$ 0.00</u>	<u>\$ 68,726.33</u>	<u>\$ 509,439.09</u>

NOTE 11 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 18,417,024.86	\$ 2,482,434.47	\$ 904,160.73	\$ 29,191.00	\$ 0.00	\$ 0.00	\$ 21,832,811.06
Public Service	763,692.27	38,353.05	1,521,359.19		65,590.80		2,388,995.31
Academic Support	4,792,875.68	250,536.76	184,236.56				5,227,649.00
Student Services	3,644,115.13	102,647.15	772,873.15				4,519,635.43
Institutional Support	6,382,455.47	614,014.76	1,074,345.20	46,113.19			8,116,928.62
Operations and Maintenance of Plant	1,486,625.67	2,251,608.80	1,505,872.47	30,159.39	903,429.99		6,177,696.32
Student Financial Aid			28,581.65	5,249,008.48			5,277,590.13
Auxiliary Enterprises	48,778.16	14,097.20	90,355.88				153,231.24
Depreciation						1,279,874.64	1,279,874.64
Total Operating Expenses	\$ 35,535,567.24	\$ 5,753,692.19	\$ 6,081,784.83	\$ 5,354,472.06	\$ 969,020.79	\$ 1,279,874.64	\$ 54,974,411.75

NOTE 12 - PENSION PLANS**Defined Benefit Plan**

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

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

post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2018 was 10.78% of covered payroll. Employee contributions to the pension plan were \$1,305,336.68, and the College's contributions were \$2,345,254.90 for the year ended June 30, 2018.

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 2017 *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. The plan's fiduciary net position was determined on the same basis used by the pension plan.

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina are the sole participants in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair market 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 2017 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2018, the College reported a liability of \$11,164,552.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll

forward the total pension liability to June 30, 2017. 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, 2017, the College's proportion was 0.14071%, which was a decrease of 0.00129 from its proportion measured as of June 30, 2016, which was 0.14200%.

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

Valuation Date	12/31/2016
Inflation	3%
Salary Increases*	3.50% - 8.10%
Investment Rate of Return**	7.20%

* Salary increases include 3.5% inflation and productivity factor.

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

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

The actuarial assumptions used in the December 31, 2016 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, 2017 (the valuation date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2017 is 1.3%.

Discount Rate: The discount rate used to measure the total pension liability was lowered from 7.25% to 7.20% for the December 31, 2016 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, 2017 calculated using the discount rate of 7.20%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.20%) or 1-percentage point higher (8.20%) than the current rate:

Net Pension Liability		
1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
\$ 22,981,269.00	\$ 11,164,552.00	\$ 1,263,649.00

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2018, the College recognized pension expense of \$3,266,212.00. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 242,027.00	\$ 365,251.00
Changes of Assumptions	1,763,831.00	
Net Difference Between Projected and Actual Earnings on Plan Investments	1,510,943.00	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	468,062.00	12,569.00
Contributions Subsequent to the Measurement Date	2,345,255.00	
Total	\$ 6,330,118.00	\$ 377,820.00

The amount of \$2,345,255.00 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

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

<u>Year Ended June 30:</u>	<u>Amount</u>
2019	\$ 863,552.00
2020	2,287,445.00
2021	1,060,740.00
2022	(604,694.00)
Total	\$ 3,607,043.00

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

The College participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2017 *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.

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. The fiduciary net position of each plan was determined using the same basis as the other postemployment benefit (OPEB) 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 market 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 2017 *Comprehensive Annual Financial Report*.

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

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

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

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is

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

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

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 University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the 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 General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium.

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

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. The College's contractually-required contribution rate for the year ended June 30, 2018 was 6.05% of covered payroll. The College's

contributions to the RHBF were \$1,316,214.49 for the year ended June 30, 2018.

2. Disability Income

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

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, 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 University Employees' 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 University Employees' ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, 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 General Assembly and coincide with the State's fiscal year. The College's contractually-required contribution rate for the year ended June 30, 2018 was 0.14% of covered payroll. The College's contributions to DIPNC were \$30,457.86 for the year ended June 30, 2018.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2018, the College reported a liability of \$39,998,236.00 for its proportionate share of the collective net OPEB liability for RHBf. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total OPEB liability to June 30, 2017. 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, 2017, the College's proportion was 0.12200%, which was a decrease of 0.00397 from its proportion measured as of June 30, 2016, which was 0.12597%.

Net OPEB Asset: At June 30, 2018, the College reported an asset of \$76,290.00 for its proportionate share of the collective net OPEB asset for

DIPNC. The net OPEB asset was measured as of June 30, 2017. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total OPEB asset to June 30, 2017. 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, 2017, the College's proportion was 0.12482%, which was a decrease of 0.00226 from its proportion measured as of June 30, 2016, which was 0.12708%.

Actuarial Assumptions: The total OPEB liabilities (assets) for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities (assets) were then rolled forward to June 30, 2017 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2016	12/31/2016
Inflation	2.75%	3.00%
Salary Increases*	3.50% - 8.10%	3.50% - 8.10%
Investment Rate of Return**	7.20%	3.75%
Healthcare Cost Trend Rate - Medical	5.00% - 6.50%	N/A
Healthcare Cost Trend Rate - Prescription Drug	5.00% - 7.25%	N/A
Healthcare Cost Trend Rate - Medicare Advantage	4.00% - 5.00%	N/A
Healthcare Cost Trend Rate - Administrative	3.00%	N/A

* Salary increases include 3.5% inflation and productivity factor.

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

N/A - Not Applicable

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

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

allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2017.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2017 (the valuation date) are summarized in the following table:

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2017 is 1.3%.

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, 2016 valuations were based on the results of an actuarial experience study prepared as of December 31, 2014.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.58%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.58% was used as the discount rate used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

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

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

Net OPEB Liability (Asset)			
	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
RHBF	\$ 47,717,323.00	\$ 39,998,236.00	\$ 33,878,497.00
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	\$ (64,858.00)	\$ (76,290.00)	\$ (87,748.00)

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

	1% Decrease (Medical - 4.00 - 5.50%, Pharmacy - 4.00 - 6.25%, Med. Advantage - 3.00 - 4.00%, Administrative - 2.00%)	Current Healthcare Cost Trend Rates (Medical - 5.00 - 6.50%, Pharmacy - 5.00 - 7.25%, Med. Advantage - 4.00 - 5.00%, Administrative - 3.00%)	1% Increase (Medical - 6.00 - 7.50%, Pharmacy - 6.00 - 8.25%, Med. Advantage - 5.00 - 6.00%, Administrative - 4.00%)
RHBF Net OPEB Liability	\$ 32,676,057.00	\$ 39,998,236.00	\$ 49,733,716.00
DIPNC Net OPEB Asset	N/A	N/A	N/A

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the College recognized OPEB expense of \$1,702,451.00 for RHBF and \$41,350.00 for DIPNC. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 0.00	\$ 20,917.00	\$ 20,917.00
Changes of Assumptions			
Net Difference Between Projected and Actual Earnings on Plan Investments		16,722.00	16,722.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions		2,452.00	2,452.00
Contributions Subsequent to the Measurement Date	1,316,214.00	30,458.00	1,346,672.00
Total	\$ 1,316,214.00	\$ 70,549.00	\$ 1,386,763.00

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 2,867,947.00	\$ 0.00	\$ 2,867,947.00
Changes of Assumptions	11,015,331.00		11,015,331.00
Net Difference Between Projected and Actual Earnings on Plan Investments	14,865.00		14,865.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,402,975.00		1,402,975.00
Total	\$ 15,301,118.00	\$ 0.00	\$ 15,301,118.00

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

<u>Year Ended June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2019	\$ (3,060,967.00)	\$ 11,972.00
2020	(3,060,967.00)	11,972.00
2021	(3,060,967.00)	11,969.00
2022	(3,060,967.00)	4,178.00
2023	(3,057,250.00)	
Total	\$ (15,301,118.00)	\$ 40,091.00

NOTE 14 - RISK MANAGEMENT

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

A. Employee Benefit Plans

1. State Health Plan

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

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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

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

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

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

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the College

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. The types of insurance policies purchased include: general liability, crime, business auto, umbrella, property, health professional, officer's liability, and employer's liability.

NOTE 15 - 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 \$11,515,540.03 and on other purchases were \$1,116,607.74 at June 30, 2018.

NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2018, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB Statement No. 85, *Omnibus 2017*

GASB Statement No. 75 improves accounting and financial reporting requirements by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered

through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB).

NOTE 17 - NET POSITION RESTATEMENTS

As of July 1, 2017, net position as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2017 Net Position as Previously Reported	\$ 38,349,626.65
Restatements:	
Record the College's Net OPEB Asset and Liability and OPEB Related	
Deferred Outflows and Inflows of Resources Per GASB 75 Requirements.	(53,439,172.00)
Correct Prior Period Capital Assets Error	<u>(671,214.59)</u>
July 1, 2017 Net Position as Restated	<u><u>\$ (15,760,759.94)</u></u>



REQUIRED SUPPLEMENTARY INFORMATION

**Central Carolina Community College
Required Supplementary Information
Schedule of the Proportionate Net Pension Liability
Teachers' and State Employees' Retirement System
Last Five Fiscal Years**

Exhibit C-1

	2017	2016	2015	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	0.14071%	0.14200%	0.13344%	0.12343%	0.12200%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 11,164,552.00	\$ 13,051,267.00	\$ 4,917,528.00	\$ 1,447,119.00	\$ 7,406,643.00
Covered Payroll	\$ 20,719,599.23	\$ 20,030,821.82	\$ 19,038,269.29	\$ 17,817,343.02	\$ 18,139,580.39
Net Pension Liability as a Percentage of Covered Payroll	53.88%	65.16%	25.83%	8.12%	40.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.51%	87.32%	94.64%	98.24%	90.60%

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

**Central Carolina Community College
Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years**

Exhibit C-2

	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 2,345,254.90	\$ 2,067,816.00	\$ 1,832,820.20	\$ 1,742,001.55	\$ 1,548,327.11
Contributions in Relation to the Contractually Determined Contribution	<u>2,345,254.90</u>	<u>2,067,816.00</u>	<u>1,832,820.20</u>	<u>1,742,001.55</u>	<u>1,548,327.11</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Covered Payroll	\$ 21,755,611.35	\$ 20,719,599.23	\$ 20,030,821.82	\$ 19,038,269.29	\$ 17,817,343.02
Contributions as a Percentage of Covered Payroll	10.78%	9.98%	9.15%	9.15%	8.69%

	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 1,511,027.05	\$ 1,267,307.20	\$ 853,331.80	\$ 604,215.46	\$ 572,532.42
Contributions in Relation to the Contractually Determined Contribution	<u>1,511,027.05</u>	<u>1,267,307.20</u>	<u>853,331.80</u>	<u>604,215.46</u>	<u>572,532.42</u>
Contribution Deficiency (Excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Covered Payroll	\$ 18,139,580.39	\$ 17,033,698.91	\$ 17,308,961.44	\$ 16,924,802.78	\$ 17,039,655.41
Contributions as a Percentage of Covered Payroll	8.33%	7.44%	4.93%	3.57%	3.36%

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

Central Carolina Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years

Changes of Benefit Terms:

				<u>Cost of Living Increase</u>					
<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
N/A	N/A	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%

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

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

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2017 *Comprehensive Annual Financial Report*.

Central Carolina Community College
Required Supplementary Information
Schedule of the Proportionate Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Two Fiscal Years

Exhibit C-3

	<u>2017</u>	<u>2016</u>
Retiree Health Benefit Fund		
Proportionate Share Percentage of Collective Net OPEB Liability	0.12200%	0.12597%
Proportionate Share of Collective Net OPEB Liability	\$ 39,998,236.00	\$ 54,801,232.00
Covered Payroll	\$ 20,719,599.23	\$ 20,030,821.82
Net OPEB Liability as a Percentage of Covered Payroll	193.05%	273.58%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3.52%	2.41%
Disability Income Plan of North Carolina		
Proportionate Share Percentage of Collective Net OPEB Asset	0.12482%	0.12708%
Proportionate Share of Collective Net OPEB Asset	\$ 76,290.00	\$ 78,917.00
Covered Payroll	\$ 20,719,599.23	\$ 20,030,821.82
Net OPEB Asset as a Percentage of Covered Payroll	0.37%	0.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	116.23%	116.06%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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

Exhibit C-4

	2018	2017	2016	2015	2014
Retiree Health Benefit Fund					
Contractually Required Contribution	\$ 1,316,214.49	\$ 1,203,808.72	\$ 1,121,726.02	\$ 1,045,200.98	\$ 962,136.52
Contributions in Relation to the Contractually Determined Contribution	1,316,214.49	1,203,808.72	1,121,726.02	1,045,200.98	962,136.52
Contribution Deficiency (Excess)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Covered Payroll	\$ 21,755,611.35	\$ 20,719,599.23	\$ 20,030,821.82	\$ 19,038,269.29	\$ 17,817,343.02
Contributions as a Percentage of Covered Payroll	6.05%	5.81%	5.60%	5.49%	5.40%
	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 961,397.76	\$ 851,684.95	\$ 848,139.11	\$ 761,616.13	\$ 698,625.87
Contributions in Relation to the Contractually Determined Contribution	961,397.76	851,684.95	848,139.11	761,616.13	698,625.87
Contribution Deficiency (Excess)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Covered Payroll	\$ 18,139,580.39	\$ 17,033,698.91	\$ 17,308,961.44	\$ 16,924,802.78	\$ 17,039,655.41
Contributions as a Percentage of Covered Payroll	5.30%	5.00%	4.90%	4.50%	4.10%
	2018	2017	2016	2015	2014
Disability Income Plan of North Carolina					
Contractually Required Contribution	\$ 30,457.86	\$ 78,734.48	\$ 82,126.37	\$ 78,056.90	\$ 78,396.31
Contributions in Relation to the Contractually Determined Contribution	30,457.86	78,734.48	82,126.37	78,056.90	78,396.31
Contribution Deficiency (Excess)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Covered Payroll	\$ 21,755,611.35	\$ 20,719,599.23	\$ 20,030,821.82	\$ 19,038,269.29	\$ 17,817,343.02
Contributions as a Percentage of Covered Payroll	0.14%	0.38%	0.41%	0.41%	0.44%
	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 79,814.15	\$ 88,575.23	\$ 90,006.60	\$ 88,008.97	\$ 88,606.21
Contributions in Relation to the Contractually Determined Contribution	79,814.15	88,575.23	90,006.60	88,008.97	88,606.21
Contribution Deficiency (Excess)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Covered Payroll	\$ 18,139,580.39	\$ 17,033,698.91	\$ 17,308,961.44	\$ 16,924,802.78	\$ 17,039,655.41
Contributions as a Percentage of Covered Payroll	0.44%	0.52%	0.52%	0.52%	0.52%

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

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

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

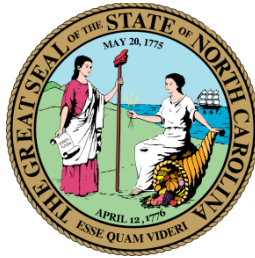
Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of four options of the Retiree Health Benefit Fund. Most of the changes were an increase in the amount from the previous year.

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

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

In 2017, the medical and prescription health trend rates used in the December 31, 2016 actuarial valuation of the Retiree Health Benefit Fund were reduced based upon the plan's most recent experience.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2017 *Comprehensive Annual Financial Report*.



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Central Carolina Community College
Sanford, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Carolina Community College (College), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 5, 2019. Our report includes a reference to other auditors who audited the financial statements of Central Carolina Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Central Carolina Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Central Carolina Community College Foundation, Inc.

Internal Control Over Financial Reporting

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

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

prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 5, 2019

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This audit required 330 hours at an approximate cost of \$33,990.