STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA

SAMPSON COMMUNITY COLLEGE

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

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA

NCOSA
The Taxpayers' Watchdog

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, Sampson Community College

We have completed a financial statement audit of Sampson 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.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

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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
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sampson Community College
Clinton, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Sampson 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 Sampson 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 Sampson 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 Sampson 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 Sampson 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 15 to the financial statements, during the year ended June 30, 2018, Sampson 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 March 7, 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.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 7, 2019

Management's Discussion and Analysis

Purpose

The information in this section is intended to provide a general overview of Sampson Community College's (College) financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The College is required by the Governmental Accounting Standards Board (GASB) to present three basic financial statements. Those statements are the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the College as of the end of the fiscal year. The statement is a point-in-time statement presenting a fiscal snapshot of the College. The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. The College's dependency on state and county aid as well as certain grants will result in operating deficits since the GASB requires these revenues be classified as nonoperating revenues. The Statement of Cash Flows provides information relative to the College's sources and uses of cash for operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The statement provides a reconciliation of beginning cash balances to ending cash balances and is representative of the activity reported on the Statement of Revenues, Expenses, and Changes in Net Position as adjusted for changes in the beginning and ending balance of noncash accounts on the Statement of Net Position.

The user is encouraged to review the notes to the financial statements to enhance their understanding of the College's financial performance. The Sampson Community College Foundation, Inc. (Foundation) is discretely presented as part of this year's financial statements. However, this discussion does not include the Foundation's activities. For more information, please contact the Division of Finance at 910-592-8081.

Statement of Net Position

The following table is prepared from the College's Statement of Net Position. It summarizes and compares the College's assets and deferred outflows on June 30, 2018 and June 30, 2017.

	6/30/2018	6/30/2017 (as Restated)	Variance	Variance %
Assets:				
Current Assets	$ 2,202,917.29	$ 2,404,088.40	$ (201,171.11)	-8.37%
Noncurrent Assets:				
Capital Assets, Net	13,324,825.52	13,183,234.65	141,590.87	1.07%
Other	120,362.43	124,254.52	(3,892.09)	-3.13%
Total Assets	$ 15,648,105.24	$ 15,711,577.57	$ (63,472.33)	-0.40%
Deferred Outflows of Resources:				
Related to Pensions	$ 1,962,503.00	$ 2,845,127.00	$ (882,624.00)	-31.02%
Related to Other Postemployment Benefits	428,601.00	440,588.00	(11,987.00)	-2.72%
Total Deferred Outflows of Resources	$ 2,391,104.00	$ 3,285,715.00	$ (894,611.00)	-27.23%

Effective beginning with the fiscal year ended June 30, 2018, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The new standard requires the College to recognize its proportionate share of the total net OPEB assets, deferred outflows of resources, net OPEB liabilities, deferred inflows of resources, and benefit expenses related to the State's Disability Income Plan of North Carolina (DIPNC) and the Retiree Health Benefit Fund (RHBF).

Deferred outflows of resources is a consumption of net assets by the government that is applicable to a future reporting period and has a positive effect on net position similar to assets. Deferred outflows of resources consisted of employer contributions for pensions and OPEB benefits made during the current fiscal year applicable to a future reporting period and differences between the employer's actual contributions and proportionate share of contributions attributable to the measurement period. The decrease in deferred outflows for pensions is mostly due to the differences between actual and projected earnings on investments and actuarial assumptions. See Note 11 of the Notes to the Financial Statements for further details.

Institutional Assets

The assets of the College are divided between current and noncurrent assets. Current assets include cash and cash equivalents, short-term investments, receivables, inventories, and notes receivable.

Current Assets	6/30/2018	6/30/2017	Variance	Variance %
Cash and Cash Equivalents	$ 1,201,966.86	$ 1,162,721.58	$ 39,245.28	3.38%
Restricted Cash and Cash Equivalents	611,890.58	574,685.49	37,205.09	6.47%
Short-Term Investments	115,306.35	115,261.87	44.48	0.04%
Receivables, Net	61,803.08	278,901.26	(217,098.18)	-77.84%
Inventories	211,675.67	272,243.45	(60,567.78)	-22.25%
Notes Receivable	274.75	274.75		
Total Current Assets	$ 2,202,917.29	$ 2,404,088.40	$ (201,171.11)	-8.37%

The College's receivables, net decreased due to the timing of the cash receipts of $41,211.80 in county capital aid and a decrease of $173,393.86 in bookstore credit memos. The bookstore inventory decreased $46,385.56 as a result of selling old textbooks.

Noncurrent assets include restricted cash and cash equivalents, investments, net OPEB asset, land, construction in progress, buildings, equipment, and general infrastructure.

Noncurrent Assets	6/30/2018	6/30/2017 (as Restated)	Variance	Variance %
Restricted Cash and Cash Equivalents	$ 963.43	$ 4,693.52	$ (3,730.09)	-79.47%
Other Investments	95,000.00	95,000.00		
Net OPEB Asset	24,399.00	24,561.00	(162.00)	-0.66%
Capital Assets, Net	13,324,825.52	13,183,234.65	141,590.87	1.07%
Total Noncurrent Assets	$ 13,445,187.95	$ 13,307,489.17	$ 137,698.78	1.03%

The College's capital assets are stated at their purchase price or, in the case of donations, assigned a fair market value when they are accepted. The College records purchases as a capital asset when the purchased item costs more than $5,000 at the date of purchase and has a useful life of more than one year. Library books are not included as assets. The College uses straight-line depreciation to determine the current value of capital assets. As a policy, general infrastructure is depreciated over a 10 to 75 year period, buildings are depreciated over a 10 to 50 year period, and equipment is depreciated over a 2 to 50 year period, depending upon the expected useful life of the asset. The College's capital assets increased by $141,590.87. The College had $853,336.68 of additions to capital assets which includes construction in progress for the new Welding Building and Activities Center addition in the amount of $220,158.20. Depreciation expense in the amount of $711,745.81 was incurred for the fiscal year.

Institutional Liabilities

The College's liabilities are divided between current liabilities payable within one year and noncurrent liabilities that extend beyond one year. Long-term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year. Accrued employee annual leave is calculated at the current salary rates for each employee, consistent with the College's leave policies. The decrease in current portion of long-term liabilities was caused by a decrease of $72,923.93 recognized for accrued leave payable. Long-term liabilities decreased by $4,886,869.22 or 23.02%, the majority of which is due to a change in actuarial assumptions for the net OPEB liability. For more information, see Note 12 of the Notes to Financial Statements.

Liabilities	6/30/2018	6/30/2017 (as Restated)	Variance	Variance %
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$ 169,658.98	$ 200,300.91	$ (30,641.93)	-15.30%
Due to Primary Government		1,016.32	(1,016.32)	-100.00%
Unearned Revenue	51,383.67	33,828.94	17,554.73	51.89%
Funds Held for Others	47,656.24	39,642.95	8,013.29	20.21%
Long-Term Liabilities - Current Portion	58,422.52	131,346.45	(72,923.93)	-55.52%
Noncurrent Liabilities:				
Long-Term Liabilities	16,342,501.30	21,229,370.52	(4,886,869.22)	-23.02%
Total Liabilities	$ 16,669,622.71	$ 21,635,506.09	$ (4,965,883.38)	-22.95%

Deferred Inflows of Resources

Deferred inflows of resources is an acquisition of net assets by the government that is applicable to a future reporting period and has a negative effect on net position similar to liabilities. Deferred inflows of resources consisted of the College's proportionate difference between expected and actual experience and projected and actual investment earnings in the pension plan and OPEB plans. The decrease in deferred inflows for pensions from the prior fiscal year is primarily due to differences between actuarial calculations of the projected investment earnings and actual earnings of funds invested in TSERS. Deferred inflows for

OPEB represents the implementation of GASB Statement No. 75. See Note 11 and 12 of the Notes to Financial Statements for further details.

Deferred Inflows of Resources	6/30/2018	6/30/2017	Variance	Variance %
Deferred Inflows for Pensions	$ 170,051.00	$ 282,251.00	$ (112,200.00)	-39.75%
Deferred Inflows for OPEB	4,591,824.00		4,591,824.00	100.00%
Total Deferred Inflows of Resources	$ 4,761,875.00	$ 282,251.00	$ 4,479,624.00	1587.11%

Net Position

Net position is a measure of the value of all the College's assets and deferred outflows after liabilities and deferred inflows of resources are deducted. The College's net position has decreased by $471,823.95 since the prior year. The deficit in unrestricted net position increased by $661,990.16 or 3.97% due in large part to the proportionate fluctuations of the pension and other postemployment benefits components. See Note 8 of the Notes to Financial Statements for additional details regarding the deficit in unrestricted net position.

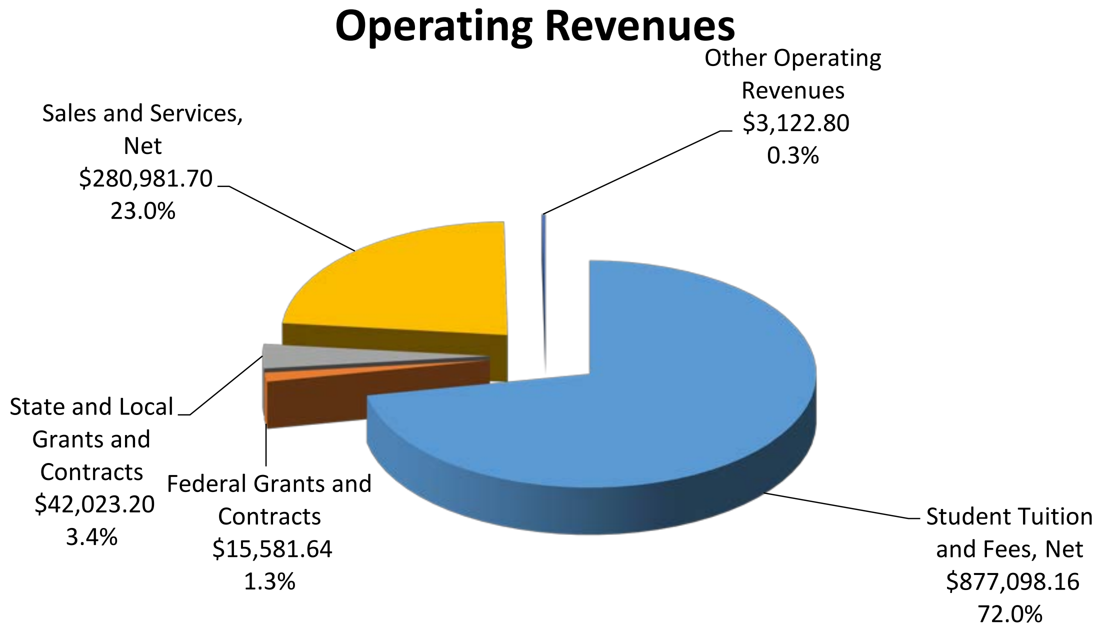
Net Position	6/30/2018	6/30/2017 (as Restated)	Variance	Variance %
Net Investment in Capital Assets	$ 13,313,050.72	$ 13,183,234.65	$ 129,816.07	0.98%
Restricted	649,704.82	589,354.68	60,350.14	10.24%
Unrestricted	(17,355,044.01)	(16,693,053.85)	(661,990.16)	3.97%
Total Net Position	$ (3,392,288.47)	$ (2,920,464.52)	$ (471,823.95)	16.16%

Revenues

The College's revenues are classified as either operating or nonoperating revenues. Operating revenues include student tuition and fees, certain federal, state and local grants and contracts, and the revenue received from sales and services, principally comprised of the revenue received from the bookstore, vending, and the rental of the food service operation.

Although the College experienced an increase in FTE (full-time equivalent) for the 2017-2018 fiscal year, the increase in FTE was the net result of more Career and College Promise students whose tuition is waived and less traditional paying students, which resulted in a decrease in student tuition and fees actually received by the College.

The College experienced a decrease in the amount of bookstore sales of $29,925.07 and a decrease in the commissions received from Coca-Cola of $8,224.16, which resulted in a decrease in sales and services, net.

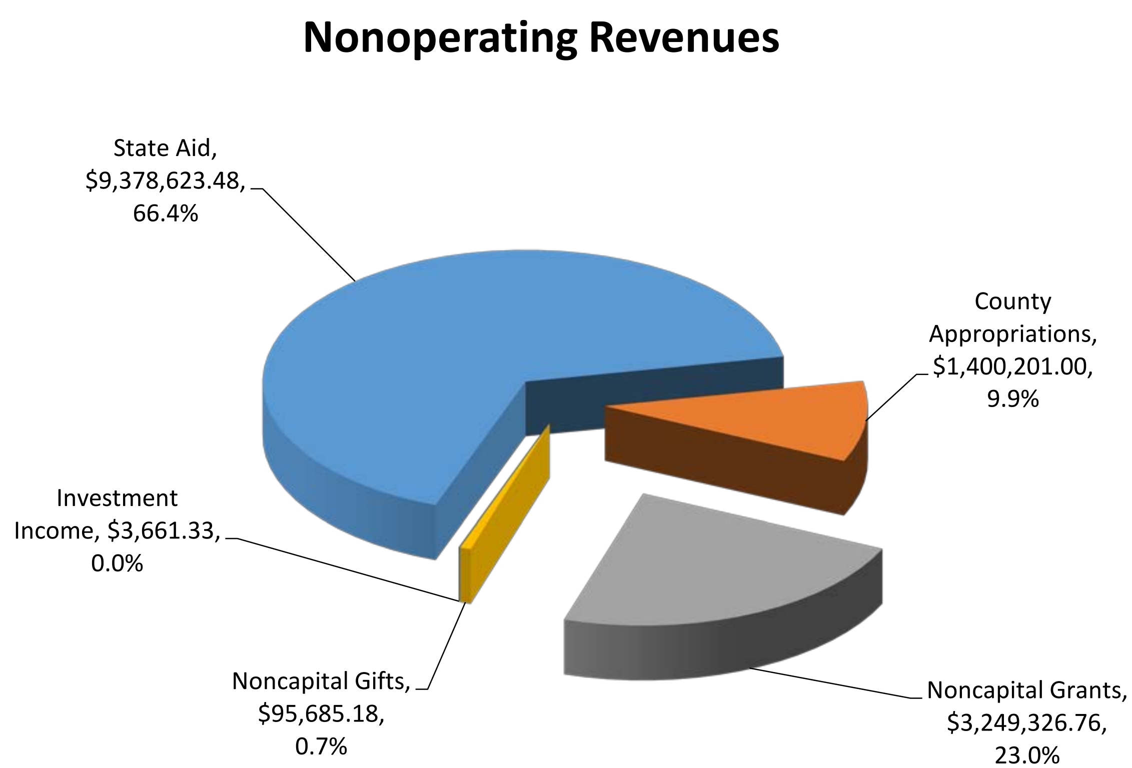


Operating Revenues	6/30/2018	6/30/2017*	Variance	Variance %
Student Tuition and Fees, Net	$ 877,098.16	$ 924,006.37	$ (46,908.21)	-5.08%
Federal Grants and Contracts	15,581.64	14,547.70	1,033.94	7.11%
State and Local Grants and Contracts	42,023.20	59,017.65	(16,994.45)	-28.80%
Sales and Services, Net	280,981.70	323,939.35	(42,957.65)	-13.26%
Other Operating Revenues	3,122.80	2,943.95	178.85	6.08%
Total Operating Revenues	$ 1,218,807.50	$ 1,324,455.02	$ (105,647.52)	-7.98%

**Note: The 6/30/2017 column above is not presented "as Restated" because actuarial calculations performed relative to the implementation of GASB 75 do not provide sufficient information to restate these amounts.*

Nonoperating Revenues

Nonoperating revenues comprise the major portion of the College's income and include formula allocations from the North Carolina State Board of Community Colleges for current expense, equipment, and capital improvements, as well as funds appropriated from the Sampson County Board of Commissioners. The College received $115,326.08 more in state aid due to an increase of 27 FTE's in the total budget for 2017-2018. The College received $160,984.17 more in PELL grant funding which resulted in an increase to noncapital grants.

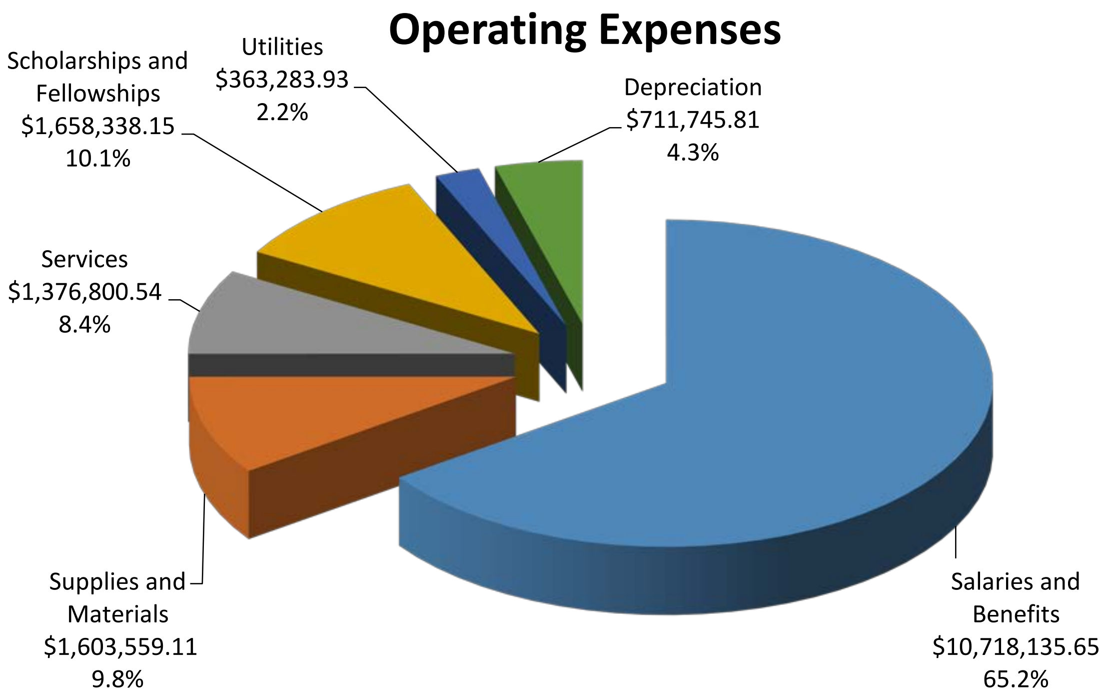


Nonoperating Revenues	6/30/2018	6/30/2017*	Variance	Variance %
State Aid	$ 9,378,623.48	$ 9,263,297.40	$ 115,326.08	1.24%
County Appropriations	1,400,201.00	1,389,388.00	10,813.00	0.78%
Noncapital Grants	3,249,326.76	3,090,291.40	159,035.36	5.15%
Noncapital Gifts	95,685.18	107,491.50	(11,806.32)	-10.98%
Investment Income	3,661.33	2,693.89	967.44	35.91%
Total Nonoperating Revenues	$ 14,127,497.75	$ 13,853,162.19	$ 274,335.56	1.98%

**Note: The 6/30/2017 column above is not presented "as Restated" because actuarial calculations performed relative to the implementation of GASB 75 do not provide sufficient information to restate these amounts.*

Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits identified as salaries and benefits. The College received $160,984.17 more in PELL grant funding which resulted in an increase to the scholarships and fellowships expense. Sampson County funded the College $206,037.87 for repairs and renovations in 2016-2017. The College received no funding from the County for repairs in renovations in 2017-2018 which resulted in a decrease in services. The College used State current expense funds in the amount of $147,989.99 to purchase new computers to update computer labs which resulted in an increase in supplies and materials.



Operating Expenses	6/30/2018	6/30/2017*	Variance	Variance %
Salaries and Benefits	$ 10,718,135.65	$ 10,628,687.82	$ 89,447.83	0.84%
Supplies and Materials	1,603,559.11	1,457,653.80	145,905.31	10.01%
Services	1,376,800.54	1,655,248.65	(278,448.11)	-16.82%
Scholarships and Fellowships	1,658,338.15	1,555,054.89	103,283.26	6.64%
Utilities	363,283.93	339,343.81	23,940.12	7.05%
Depreciation	711,745.81	656,557.69	55,188.12	8.41%
Total Operating Expenses	$ 16,431,863.19	$ 16,292,546.66	$ 139,316.53	0.86%

**Note: The 6/30/2017 column above is not presented "as Restated" because actuarial calculations performed relative to the implementation of GASB 75 do not provide sufficient information to restate these amounts.*

Capital Contributions

Capital contributions are received from appropriations from the North Carolina State Board of Community Colleges under a formula allocation for educational equipment and library books. Sampson County provides capital contributions for maintenance equipment and small construction items.

Capital Contributions	6/30/2018	6/30/2017*	Variance	Variance %
State Capital Aid	$ 613,733.99	$ 549,867.93	$ 63,866.06	11.61%
County Capital Aid		206,037.87	(206,037.87)	-100.00%
Capital Grants		5,000.00	(5,000.00)	-100.00%
Total Capital Contributions	$ 613,733.99	$ 760,905.80	$ (147,171.81)	-19.34%

**Note: The 6/30/2017 column above is not presented "as Restated" because actuarial calculations performed relative to the implementation of GASB 75 do not provide sufficient information to restate these amounts.*

Sampson County provided $206,037.87 to the College in fiscal year 2016-2017 for county capital aid so the College could perform needed capital projects around campus. The College received no county capital aid from Sampson County for the 2017-2018 fiscal year.

For fiscal year 2017-2018, the College's total revenues were $15,960,039.24 and total expenses were $16,431,863.19.

For fiscal year 2016-2017, the College's total revenues were $15,938,523.01 and total expenses were $16,292,546.66.

Significant Effects on Financial Position

The following conditions are expected to have a significant effect on the financial position of the College.

1. The College continues to enjoy sufficient state formula allocations to meet budget requirements for personnel and other costs to support administrative, educational, and student programs and services. For FY 2018-19, the College granted across-the-board pay raises of 3%, exceeding the 2% legislative appropriation, and will grant performance bonuses to full-time employees with $102,737 in state bonus allocations.

2. For FY 2018-19, the state formula allocation increased by $820,185. Curriculum enrollment is projected to increase by 200 or more full-time equivalents (FTE) in the 2018-19 academic year supporting funding formula increase of over a $1 million in FY 2019-20.

3. Recognition of summer term curriculum enrollment in the total FTE calculation increased over time. Summer enrollment (2017) of 145.76 FTE represented a 26% increase over the previous summer (2016) enrollment of 115.69 FTE. Curriculum (2018) summer enrollment of 199 FTE represented continued growth. The College anticipates additional enrollment increase into the (2019) summer term.

4. The General Assembly increased the value of occupational extension FTE for FY 2018-19 providing recurring increases and non-recurring increases to the College's allocation for these courses. The State Board of Community Colleges is seeking full parity in occupational FTE in the full session of the General Assembly for FY 2019-20.
5. The College was awarded a competitively assigned three-year Title II literacy grant providing $277,993 in FY 2018-19 with funding of similar amounts in the next two fiscal

5. The College was awarded a competitively assigned three-year Title II literacy grant providing $277,993 in FY 2018-19 with funding of similar amounts in the next two fiscal years. These funds have provided immediate stability in staffing and faculty-to-student ratios in basic skills, English as a second language, and compensatory education programs.

6. Enrollment in the Early College High School has remained stable. High school student enrollment through the Career and College Promise program has grown to include over 500 registrations in the (2018) fall semester. These two student populations now represent over half of the sustaining curriculum enrollment for the College.

7. A limited number of programs continue to experience enrollment decline. Selected faculty have been notified of the enrollment concern identified in provisional contracts extended to them for FY 2017-18 and again in FY 2018-19.

8. The College received $1,740,772 from the Economic Development Commission in support of the construction of a new welding facility. Construction is expected to begin in the second quarter of the fiscal year with completion expected during the fall semester of 2019-2020.

9. The Clinton 100 Committee provided a gift of approximately 12 acres in the Clinton-Sampson Industrial Park in support of the movement of the College's truck driving training site from Duplin County to Sampson County.

10. Sampson County Board of Commissioners provided $250,000 capital funding in FY 2016-17, $250,000 in FY 2017-18, and $204,000 in FY 2018-19 to address some of the Americans with Disability Act findings from Office of Civil Rights. Construction contracts will be awarded in FY 2018-19 to address these deficiencies.

11. The NC 24 widening project that has adversely affected traffic patterns around the College is expected to be completed in the first quarter of 2019. Significant portions of NC 24/Sunset Avenue from the College into Clinton remain undeveloped. Retail growth is expected to infill much of this area over the next decade.

12. Management changes in the operation of the College's bookstore (including personnel, inventory control, and marketing) have helped to maintain the store's profitability.

Economic Forecast

North Carolina continues to enjoy economic stability and is expected to continue to exhibit economic development. As documented in numerous studies, economic and population growth has been limited to some 15 counties that have had historical development over the last decade. Most of eastern North Carolina, including Sampson County, is not projected to enjoy population growth or economic growth over the next 5 years.

Southeastern North Carolina's economy is heavily dependent upon agricultural income. Sampson County, the College's defined service area, ranks first in the production of sweet potatoes, tobacco, and turkeys, and ranks second in pork production. Total agricultural receipts approximate $1.4 billion annually. Downward pressures are now being exerted on agriculture.

These include:

- Civil litigation on animal production facilities with significant fines.
- Tariffs on export of agricultural commodities including pork products
- Significant loss of row crop income from rain associated with Hurricane Florence
- Disruption in production and damage to confinement facilities resulting from Hurricane Florence

Some agricultural job loss has already been observed. These pressures suggest long term economic forces affecting the animal production industry may result in the loss of primary income and economic vitality in southeastern North Carolina.

As presented by County Manager, Ed Causey, to the Sampson County Board of Commissioners in his opening remarks to the FY 2018-19 budget development process:

> "Our future depends on our support and protection of this heritage, but also on our ability to diversify our economy. Our economic destiny can be and will be influenced by our resolve to influence positive economic development in the years to come. Fortunately, because Sampson County is strategically located about 100 miles from the Research Triangle Park to the west and the Wilmington port to the east, there are opportunities that may be available to us that may not reach all counties in North Carolina – but only if we proactively plan and prepare to capitalize on those opportunities. Our recent success with locating a major industry in Sampson County evidences the value of the availability of industrial sites which offer infrastructure and amenities such as water and existing environmental reviews, etc. Equally important is the identification and development of sites that are strategically located to our major transportation routes. There are State and Federal grant monies that may be available for such site development, but significant cash reserves are required to leverage those grant dollars. We envision an economic development reserve fund to accomplish these needs, carefully designed to foster the development of new sites only.
>
> We propose to begin making deposits of $250,000 per year until we have built up a fund of at least $5.0 million dollars. This endeavor may not yield success in the short term but is expected to facilitate long term positives for our communities. To further demonstrate the determination and commitment of the Board of Commissioners to long-term economic development, we recommend that $1,500,000 of monies previously designated for loan reserves that are no longer required be repurposed to the proposed economic development reserve fund. Moreover, it should then be our goal to deposit at least $250,000 per annum until a minimum of $5,000,000 has been accumulated in this reserve."

FINANCIAL STATEMENTS

Sampson Community College
Statement of Net Position *Exhibit A-1*
June 30, 2018 *Page 1 of 2*

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	1,201,966.86
Restricted Cash and Cash Equivalents		611,890.58
Short-Term Investments		115,306.35
Receivables, Net (Note 4)		61,803.08
Inventories		211,675.67
Notes Receivable		274.75
Total Current Assets		2,202,917.29
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		963.43
Other Investments		95,000.00
Net Other Postemployment Benefits Asset		24,399.00
Capital Assets - Nondepreciable (Note 5)		301,108.45
Capital Assets - Depreciable, Net (Note 5)		13,023,717.07
Total Noncurrent Assets		13,445,187.95
Total Assets		15,648,105.24
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		1,962,503.00
Deferred Outflows Related to Other Postemployment Benefits (Note 12)		428,601.00
Total Deferred Outflows of Resources		2,391,104.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		169,658.98
Unearned Revenue		51,383.67
Funds Held for Others		47,656.24
Long-Term Liabilities - Current Portion (Note 7)		58,422.52
Total Current Liabilities		327,121.41
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		16,342,501.30
Total Liabilities		16,669,622.71
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		170,051.00
Deferred Inflows Related to Other Postemployment Benefits (Note 12)		4,591,824.00
Total Deferred Inflows of Resources		4,761,875.00

NET POSITION

Net Investment in Capital Assets	13,313,050.72
Restricted for Expendable:	
Scholarships and Fellowships	40,454.93
Restricted for Departmental Uses	144,691.80
Loans	14,251.26
Capital Projects	12,738.23
Instructional Technology Programs	333,275.26
Restricted for Specific Programs	63,248.89
Other	41,044.45
Unrestricted	(17,355,044.01)
Total Net Position	$ (3,392,288.47)

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

Sampson 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 9)	$	877,098.16
Federal Grants and Contracts		15,581.64
State and Local Grants and Contracts		42,023.20
Sales and Services, Net (Note 9)		280,981.70
Other Operating Revenues		3,122.80
Total Operating Revenues		1,218,807.50
EXPENSES		
Operating Expenses:		
Salaries and Benefits		10,718,135.65
Supplies and Materials		1,603,559.11
Services		1,376,800.54
Scholarships and Fellowships		1,658,338.15
Utilities		363,283.93
Depreciation		711,745.81
Total Operating Expenses		16,431,863.19
Operating Loss		(15,213,055.69)
NONOPERATING REVENUES		
State Aid		9,378,623.48
County Appropriations		1,400,201.00
Noncapital Grants - Student Financial Aid		2,764,736.18
Noncapital Grants		484,590.58
Noncapital Gifts		95,685.18
Investment Income		3,661.33
Nonoperating Revenues		14,127,497.75
Loss Before Other Revenues		(1,085,557.94)
State Capital Aid		613,733.99
Decrease in Net Position		(471,823.95)
NET POSITION		
Net Position, July 1, 2017 as Restated (Note 16)		(2,920,464.52)
Net Position, June 30, 2018	$	(3,392,288.47)

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

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	1,451,134.21
Payments to Employees and Fringe Benefits		(10,289,518.23)
Payments to Vendors and Suppliers		(3,347,422.42)
Payments for Scholarships and Fellowships		(1,658,338.15)
Other Receipts		8,013.29
Net Cash Used by Operating Activities		(13,836,131.30)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		9,378,623.48
County Appropriations		1,400,201.00
Noncapital Grants - Student Financial Aid		2,764,736.18
Noncapital Grants		486,916.78
Noncapital Gifts		95,685.18
Cash Provided by Noncapital Financing Activities		14,126,162.62
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		613,733.99
Acquisition and Construction of Capital Assets		(834,661.88)
Net Cash Used by Capital and Related Financing Activities		(220,927.89)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		3,616.85
Cash Provided by Investing Activities		3,616.85
Net Increase in Cash and Cash Equivalents		72,720.28
Cash and Cash Equivalents, July 1, 2017		1,742,100.59
Cash and Cash Equivalents, June 30, 2018	$	1,814,820.87

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(15,213,055.69)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		711,745.81
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		214,771.98
Inventories		60,567.78
Net Other Postemployment Benefits Asset		162.00
Deferred Outflows Related to Pensions		882,624.00
Deferred Outflows Related to Other Postemployment Benefits		11,987.00
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		(49,316.73)
Due to Primary Government		(1,016.32)
Unearned Revenue		17,554.73
Funds Held for Others		8,013.29
Net Pension Liability		(509,106.00)
Net Other Postemployment Benefits Liability		(4,472,910.00)
Compensated Absences		22,222.85
Deferred Inflows Related to Pensions		(112,200.00)
Deferred Inflows Related to Other Postemployment Benefits		4,591,824.00
Net Cash Used by Operating Activities	$	(13,836,131.30)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	1,201,966.86
Restricted Cash and Cash Equivalents		611,890.58
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		963.43
Total Cash and Cash Equivalents - June 30, 2018	$	1,814,820.87

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	$	11,774.80
Change in Fair Value of Investments		44.48

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

Sampson Community College Foundation, Inc.
Statement of Financial Position
June 30, 2018 — *Exhibit B-1*

ASSETS		
Cash and Cash Equivalents	$	147,443.00
Contribution Receivables		162,000.00
Billboard		4,446.00
Board Designated Investments		537,865.00
Assets Restricted for Investment in Endowments and Payment of Scholarships:		
Cash and Cash Equivalents		227,851.00
Investments		1,540,023.00
Total Assets	$	2,619,628.00
LIABILITIES		
Total Liabilities	$	0.00
NET ASSETS		
Unrestricted		670,520.00
Temporarily Restricted		1,115,571.00
Permanently Restricted		833,537.00
Total Net Assets		2,619,628.00
Total Liabilities and Net Assets	$	2,619,628.00

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

Sampson 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, Gains, and Other Support:				
Contributions	$ 13,786.00	$ 363,301.00	$ 10,000.00	$ 387,087.00
Special Event Revenue	17,919.00	5,000.00		22,919.00
House Program Revenue	58,000.00			58,000.00
Interest and Dividends	10,650.00	30,689.00		41,339.00
Gifts in Kind	25,268.00			25,268.00
Contribution from Affiliate	6,641.00			6,641.00
Net Investment Gains	21,257.00	30,249.00		51,506.00
Other Income	3,387.00			3,387.00
Satisfaction of Restrictions:				
Temporarily Restricted to Unrestricted	85,046.00	(85,046.00)		
Total Revenues, Gains, and Other Support	241,954.00	344,193.00	10,000.00	596,147.00
Expenses and Losses:				
Program Expenditures	142,299.00			142,299.00
Fundraising	24,493.00			24,493.00
Administrative	19,097.00			19,097.00
Total Expenses and Losses	185,889.00			185,889.00
Change in Net Assets	56,065.00	344,193.00	10,000.00	410,258.00
Net Assets at Beginning of Year (Restated)	614,455.00	771,378.00	823,537.00	2,209,370.00
Net Assets at End of Year	$ 670,520.00	$ 1,115,571.00	$ 833,537.00	$ 2,619,628.00

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. Sampson 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 - Sampson 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 the Chairman of the Board of Trustees of Sampson Community College or his/her designee, the President of the College, and the College's Foundation Director, pursuant to Section two of Article II of the by-laws of the Foundation. These members serve as ex-officio, non-voting members of the Foundation board. In addition, there are 31 voting members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation 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 $83,839.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Advancement Office, Sampson Community College, P.O. Box 318, Clinton, NC 28329.

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, and cash on deposit with private bank accounts.

E. **Investments** - This classification includes certificates of deposit. Certificates of deposit are reported at cost.

F. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method. Merchandise for resale is valued at the lower of cost or market using the first-in, first-out method.

H. **Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

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

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

Asset Class	Estimated Useful Life
Buildings	10-50 years
Machinery and Equipment	2-50 years
General Infrastructure	10-75 years

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

J. **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 11 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 12 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

K. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

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

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

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

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 8 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits - The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2018 was $1,190.00. The carrying amount of the College's deposits not with the State Treasurer, including certificates of deposit of $210,306.35 reported as investments on the Statement of Net Position, was $2,023,937.22, and the bank balance was $2,088,666.58.

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.

B. Investments

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

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6(d1) or in the form of investments pursuant to

G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3 (STIF); obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian. As noted above, at June 30, 2018, the College's investments consisted of $210,306.35 in certificates of deposit.

Component Unit - Investments of the College's discretely presented component unit, Sampson 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:

Investment Category	Fair Value
Alternative Investments	$ 115,318.00
Domestic Bonds	753,760.00
Domestic Equities	775,539.00
International Bonds	23,994.00
International Equities	294,709.00
Money Market Funds	114,568.00
Total	$ 2,077,888.00

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

Cash on Hand	$	1,190.00
Carrying Amount of Deposits with Private Financial Institutions		2,023,937.22
Total Deposits and Investments	$	2,025,127.22
Deposits		
Current:		
Cash and Cash Equivalents	$	1,201,966.86
Restricted Cash and Cash Equivalents		611,890.58
Noncurrent:		
Restricted Cash and Cash Equivalents		963.43
Total Deposits		1,814,820.87
Investments		
Current:		
Short-Term Investments		115,306.35
Noncurrent:		
Other Investments		95,000.00
Total Investments		210,306.35
Total Deposits and Investments	$	2,025,127.22

NOTE 3 - FAIR VALUE MEASUREMENTS

Component Unit - Financial Accounting Standards Board Statement, *Accounting Standards Codification 820, Fair Value Measurements and Disclosures (FASB ASC 820)*, provides the framework for measuring fair values. 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 (level I measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 — Inputs to valuation methodology are unadjusted quoted prices for dentical assets in active markets that the Foundation has the ability to access.

Level 2 — Inputs to the valuation methodology include:

- quoted prices for similar assets in active markets;
- quoted prices for identical or similar assets in active markets;

- inputs other than quoted prices that are observable for the asset;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets 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.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There were no transfers between levels or changes in methodologies in the year ended June 30, 2018.

Investment securities: determined by quoted market prices, fair value estimates using pricing models and quoted prices of securities with similar characteristics or discounted cash flow.

Receivables: determined by the present value of the expected future cash flows.

Billboard: determined at tax value, fair value consists of inputs other than quoted prices that are observable for the asset.

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Investment securities	$ 2,077,888.00	$ 2,077,888.00	$ 0.00	$ 0.00
Receivables	162,000.00		162,000.00	
Billboard	4,446.00		4,446.00	
Total Investments Measured at Fair Value	$ 2,244,334.00	$ 2,077,888.00	$ 166,446.00	$ 0.00

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Receivables:			
Students	$ 1,835.43	$ 479.96	$ 1,355.47
Student Sponsors	29,914.13		29,914.13
Accounts	29,090.79		29,090.79
Intergovernmental	131.40		131.40
Other	1,311.29		1,311.29
Total Receivables	$ 62,283.04	$ 479.96	$ 61,803.08

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	Increases	Decreases	Balance June 30, 2018
Capital Assets, Nondepreciable:				
Land	$ 80,950.25	$ 0.00	$ 0.00	$ 80,950.25
Construction in Progress		220,158.20		220,158.20
Total Capital Assets, Nondepreciable	80,950.25	220,158.20		301,108.45
Capital Assets, Depreciable:				
Buildings	17,268,182.59		14,275.77	17,253,906.82
Machinery and Equipment	5,079,625.09	383,833.48	148,647.48	5,314,811.09
General Infrastructure	943,081.81	249,345.00		1,192,426.81
Total Capital Assets, Depreciable	23,290,889.49	633,178.48	162,923.25	23,761,144.72
Less Accumulated Depreciation for:				
Buildings	7,308,170.67	350,456.40	14,275.77	7,644,351.30
Machinery and Equipment	2,490,581.32	342,874.91	148,647.48	2,684,808.75
General Infrastructure	389,853.10	18,414.50		408,267.60
Total Accumulated Depreciation	10,188,605.09	711,745.81	162,923.25	10,737,427.65
Total Capital Assets, Depreciable, Net	13,102,284.40	(78,567.33)		13,023,717.07
Capital Assets, Net	$ 13,183,234.65	$ 141,590.87	$ 0.00	$ 13,324,825.52

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

		Amount
Accounts Payable and Accrued Liabilities:		
Accounts Payable	$	37,930.47
Accrued Payroll		119,953.71
Contract Retainage		11,774.80
Total Accounts Payable and Accrued Liabilities	$	169,658.98

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:

	Balance July 1, 2017 (as Restated)	Additions	Reductions	Balance June 30, 2018	Current Portion
Compensated Absences	$ 526,860.97	$ 347,670.28	$ 325,447.43	$ 549,083.82	$ 58,422.52
Net Pension Liability	4,176,405.00		509,106.00	3,667,299.00	
Net Other Postemployment Benefits Liability	16,657,451.00		4,472,910.00	12,184,541.00	
Total Long-Term Liabilities	$ 21,360,716.97	$ 347,670.28	$ 5,307,463.43	$ 16,400,923.82	$ 58,422.52

Additional information regarding the net pension liability is included in Note 11.
Additional information regarding the net other postemployment benefit liability is included in Note 12.

NOTE 8 - NET POSITION

The deficit in unrestricted net position of $17,355,044.01 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	$ 1,962,503.00	$ 0.00	$ 1,962,503.00
Deferred Outflows Related to OPEB		405,541.00	405,541.00
Noncurrent Liabilities:			
Long-Term Liabilities:			
Net Pension Liability	3,667,299.00		3,667,299.00
Net OPEB Liability		12,184,541.00	12,184,541.00
Deferred Inflows Related to Pensions	170,051.00		170,051.00
Deferred Inflows Related to OPEB		4,591,824.00	4,591,824.00
Net Effect on Unrestricted Net Position	$ (1,874,847.00)	$ (16,370,824.00)	$ (18,245,671.00)

See Notes 11 and 12 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

NOTE 9 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Net Revenues
Operating Revenues:			
Student Tuition and Fees, Net	$ 1,985,593.01	$ 1,108,494.85	$ 877,098.16
Sales and Services:			
Sales and Services of Auxiliary Enterprises:			
Bookstore	$ 546,543.75	$ 321,338.27	$ 225,205.48
Other	55,776.22		55,776.22
Total Sales and Services, Net	$ 602,319.97	$ 321,338.27	$ 280,981.70

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 5,430,180.86	$ 687,014.39	$ 393,955.48	$ 7,295.00	$ 0.00	$ 0.00	$ 6,518,445.73
Academic Support	1,022,369.31	82,540.12	54,034.67				1,158,944.10
Student Services	583,985.46	52,822.26	227,046.18	22,980.29			886,834.19
Institutional Support	3,197,730.44	227,735.55	369,999.88				3,795,465.87
Operations and Maintenance of Plant	418,399.02	93,140.17	316,403.02		363,283.93		1,191,226.14
Student Financial Aid			5,856.25	1,628,062.86			1,633,919.11
Auxiliary Enterprises	65,470.56	460,306.62	9,505.06	0.00			535,282.24
Depreciation						711,745.81	711,745.81
Total Operating Expenses	$ 10,718,135.65	$ 1,603,559.11	$ 1,376,800.54	$ 1,658,338.15	$ 363,283.93	$ 711,745.81	$ 16,431,863.19

NOTE 11 - 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 $402,189.19, and the College's contributions were $722,599.92 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 $3,667,299.00 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 0.04622%, which was an increase of 0.00078 from its proportion measured as of June 30, 2016, which was 0.04544%.

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%)
$ 7,548,819.00	$ 3,667,299.00	$ 415,080.00

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 $983,207.00. 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	$ 79,500.00	$ 119,976.00
Changes of Assumptions	579,378.00	
Net Difference Between Projected and Actual Earnings on Plan Investments	496,310.00	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	84,715.00	50,075.00
Contributions Subsequent to the Measurement Date	722,600.00	
Total	$ 1,962,503.00	$ 170,051.00

The amount of $722,600.00 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:

Year Ended June 30:	Amount
2019	$ 198,332.00
2020	709,720.00
2021	360,429.00
2022	(198,629.00)
Total	$ 1,069,852.00

NOTE 12 - 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 13. 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 $405,540.77 for the year ended June 30, 2018.

2. Disability Income

Plan Administration: As discussed in Note 13, 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 $9,384.41 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 $12,184,541.00 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 0.03716%, which was a decrease of 0.00113 from its proportion measured as of June 30, 2016, which was 0.03829%.

Net OPEB Asset: At June 30, 2018, the College reported an asset of $24,399.00 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 0.03992%, which was an increase of 0.00037 from its proportion measured as of June 30, 2016, which was 0.03955%.

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	$ 14,534,228.00	$ 12,184,541.00	$ 10,319,057.00
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	$ (20,743.00)	$ (24,399.00)	$ (28,064.00)

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	$ 9,952,805.00	$ 12,184,541.00	$ 15,148,401.00
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 $532,479.00 for RHBF and $13,509.00 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	$ 6,690.00	$ 6,690.00
Changes of Assumptions			
Net Difference Between Projected and Actual Earnings on Plan Investments		5,348.00	5,348.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions		1,638.00	1,638.00
Contributions Subsequent to the Measurement Date	405,541.00	9,384.00	414,925.00
Total	$ 405,541.00	$ 23,060.00	$ 428,601.00

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 873,654.00	$ 0.00	$ 873,654.00
Changes of Assumptions	3,355,567.00		3,355,567.00
Net Difference Between Projected and Actual Earnings on Plan Investments	4,528.00		4,528.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	358,075.00		358,075.00
Total	$ 4,591,824.00	$ 0.00	$ 4,591,824.00

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:

Year Ended June 30:	RHBF	DIPNC
2019	$ (918,591.00)	$ 4,114.00
2020	(918,591.00)	4,114.00
2021	(918,591.00)	4,113.00
2022	(918,591.00)	1,335.00
2023	(917,460.00)	
Total	$ (4,591,824.00)	$ 13,676.00

NOTE 13 - RISK MANAGEMENT

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

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 12, 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 12, 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 for losses from employee dishonesty and computer fraud for employees paid by county and institutional funds by contracts with private insurance companies. The special extension of property coverage provides for protections of $50,000 per occurrence with a $1,000 deductible.

4. Statewide Workers' Compensation Program

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

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

NOTE 14 - 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 $200,504.80 at June 30, 2018.

NOTE 15 - 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 16 - NET POSITION RESTATEMENT

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

	Amount
July 1, 2017 Net Position as Previously Reported	$ 13,271,837.48
Restatement:	
Record the College's Net OPEB Asset and Liability and OPEB Related Deferred Outflows and Inflows of Resources Per GASB 75 Requirements.	(16,192,302.00)
July 1, 2017 Net Position as Restated	$ (2,920,464.52)

REQUIRED SUPPLEMENTARY INFORMATION

Sampson 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	0.04622%	0.04544%	0.04562%	0.04918%	0.05050%
Proportionate Share of TSERS Collective Net Pension Liability	$ 3,667,299.00	$ 4,176,405.00	$ 1,681,187.00	$ 576,597.00	$ 3,065,865.00
Covered Payroll	$ 7,111,732.33	$ 6,835,991.69	$ 7,018,068.74	$ 7,121,484.87	$ 7,339,373.78
Net Pension Liability as a Percentage of Covered Payroll	51.57%	61.09%	23.96%	8.10%	41.77%
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.

Sampson 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	$ 722,599.92	$ 709,750.89	$ 625,493.24	$ 642,153.29	$ 618,857.04
Contributions in Relation to the Contractually Determined Contribution	722,599.92	709,750.89	625,493.24	642,153.29	618,857.04
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 6,703,153.23	$ 7,111,732.33	$ 6,835,991.69	$ 7,018,068.74	$ 7,121,484.87
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	$ 611,369.84	$ 535,274.56	$ 359,866.29	$ 256,617.14	$ 247,451.08
Contributions in Relation to the Contractually Determined Contribution	611,369.84	535,274.56	359,866.29	256,617.14	247,451.08
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 7,339,373.78	$ 7,194,550.47	$ 7,299,519.13	$ 7,188,155.06	$ 7,364,615.40
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.

Sampson 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:

Cost of Living Increase

2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
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* .

Sampson 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*

	2017	2016
Retiree Health Benefit Fund		
Proportionate Share Percentage of Collective Net OPEB Liability	0.03716%	0.03829%
Proportionate Share of Collective Net OPEB Liability	$ 12,184,541.00	$ 16,657,451.00
Covered Payroll	$ 7,111,732.33	$ 6,835,991.69
Net OPEB Liability as a Percentage of Covered Payroll	171.33%	243.67%
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	0.03992%	0.03955%
Proportionate Share of Collective Net OPEB Asset	$ 24,399.00	$ 24,561.00
Covered Payroll	$ 7,111,732.33	$ 6,835,991.69
Net OPEB Asset as a Percentage of Covered Payroll	0.34%	0.36%
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* .

Sampson Community College
Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Ten Fiscal Years ***Exhibit C-4***

Retiree Health Benefit Fund	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 405,540.77	$ 412,656.06	$ 382,815.53	$ 385,291.97	$ 384,560.18
Contributions in Relation to the Contractually Determined Contribution	405,540.77	412,565.06	382,815.53	385,291.97	384,560.18
Contribution Deficiency (Excess)	$ 0.00	$ 91.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 6,703,153.23	$ 7,111,732.33	$ 6,835,991.69	$ 7,018,068.74	$ 7,121,484.87
Contributions as a Percentage of Covered Payroll	6.05%	5.80%	5.60%	5.49%	5.40%

	2013	**2012**	**2011**	**2010**	**2009**
Contractually Required Contribution	$ 388,986.81	$ 359,727.52	$ 357,676.44	$ 323,466.98	$ 301,949.23
Contributions in Relation to the Contractually Determined Contribution	388,986.81	359,727.52	357,676.44	323,466.98	301,949.23
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 7,339,373.78	$ 7,194,550.47	$ 7,299,519.13	$ 7,188,155.06	$ 7,364,615.40
Contributions as a Percentage of Covered Payroll	5.30%	5.00%	4.90%	4.50%	4.10%

Disability Income Plan of North Carolina	**2018**	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 9,384.41	$ 27,024.58	$ 28,027.57	$ 28,774.08	$ 31,334.53
Contributions in Relation to the Contractually Determined Contribution	9,384.41	27,024.58	28,027.57	28,774.08	31,334.53
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 6,703,153.23	$ 7,111,732.33	$ 6,835,991.69	$ 7,018,068.74	$ 7,121,484.87
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	$ 32,293.24	$ 37,411.66	$ 37,957.50	$ 37,378.41	$ 38,296.00
Contributions in Relation to the Contractually Determined Contribution	32,293.24	37,411.66	37,957.50	37,378.41	38,296.00
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 7,339,373.78	$ 7,194,550.47	$ 7,299,519.13	$ 7,188,155.06	$ 7,364,615.40
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.

Sampson 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 12 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

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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
Sampson Community College
Clinton, 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 Sampson 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 March 7, 2019. Our report includes a reference to other auditors who audited the financial statements of Sampson Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Sampson 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 the Sampson Community College Foundation.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 7, 2019

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For additional information contact:
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919-807-7513

This audit required 324 hours at an approximate cost of $33,372.