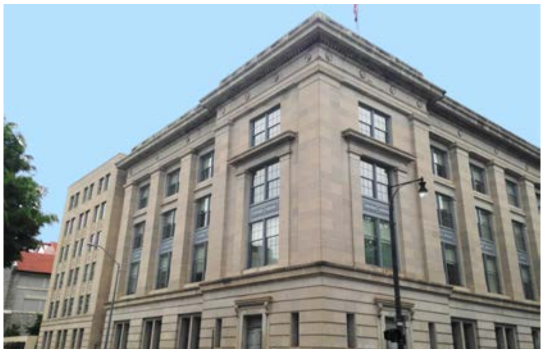
STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



WAYNE COMMUNITY COLLEGE

GOLDSBORO, 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

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
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AUDITOR'S TRANSMITTAL

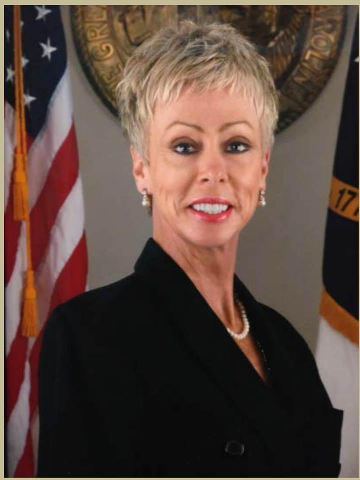
The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Trustees, Wayne Community College

We have completed a financial statement audit of Wayne 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, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
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Raleigh, NC 27699-0600
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wayne Community College
Goldsboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Wayne 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 The Foundation of Wayne Community College, 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 The Foundation of Wayne Community College, 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 The Foundation of Wayne Community College, 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 Wayne 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 17 to the financial statements, during the year ended June 30, 2018, Wayne 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 14, 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 14, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Wayne Community College's Financial Statement Audit Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal years ended June 30, 2018, and June 30, 2017. Since this discussion and analysis is designed to focus on current activities, resulting changes and currently known facts, please read it in conjunction with the College's basic financial statements and the notes to the financial statements. Responsibility for the completeness and fairness of this information rests with the College.

Overview of Financial Statements

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position are the two financial statements that report information about the College and about its activities that should help answer a question like: "Is the College better off or worse off as a result of this year's activities?"

The Statement of Net Position presents all of the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as "net position". Over time, increases and decreases in net position measure whether the College's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the net position changed during the fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. deferred revenue and earned but unused vacation leave).

The Statement of Cash Flows provides information regarding the College's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, capital financing, and noncapital financing activities. The statement reconciles the beginning cash on hand as of July 1, 2017 to the ending cash on hand as of June 30, 2018.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the statements. Notes to these financial statements may be found at the end of this report.

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

Financial Statement Presentation

The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The Statement of Net Position combines and consolidates current financial resources (short-term consumable resources) with capital assets and other noncurrent assets. The focus of the Statement of Revenues, Expenses, and Changes in Net Position is designed to be similar to bottom line results for the College. This statement focuses on both the gross costs and the net costs of

College activities that are supported mainly by state, local, federal, and other revenues. This approach is intended to summarize and simplify the user's analysis of costs of various College services to students and the public.

Statement of Net Position

The following condensed Statement of Net Position compares the current year information with the prior year and indicates the monetary and percentage increase or decrease between years.

Condensed Statement of Net Position

	2018	2017 (as Restated)	Increase/ (Decrease)	Percent Change
Assets				
Current Assets	$ 5,655,253.30	$ 6,406,793.55	$ (751,540.25)	(11.73%)
Capital Assets, Net	31,941,968.77	32,182,337.66	(240,368.89)	(0.75%)
Other Noncurrent Assets	80,488.66	95,101.71	(14,613.05)	(15.37%)
Total Assets	37,677,710.73	38,684,232.92	(1,006,522.19)	(2.60%)
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	4,160,968.00	5,914,515.00	(1,753,547.00)	(29.65%)
Deferred Outflows Related to OPEB	937,759.00	863,047.00	74,712.00	8.66%
Total Deferred Outflows of Resources	5,098,727.00	6,777,562.00	(1,678,835.00)	(24.77%)
Liabilities				
Current Portion of Long-Term Liabilities	126,670.44	81,461.67	45,208.77	55.50%
Other Current Liabilities	923,318.58	947,976.68	(24,658.10)	(2.60%)
Long-Term Liabilities	34,119,910.20	44,251,104.23	(10,131,194.03)	(22.89%)
Total Liabilities	35,169,899.22	45,280,542.58	(10,110,643.36)	(22.33%)
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	258,138.00	420,868.00	(162,730.00)	(38.67%)
Deferred Inflows Related to OPEB	9,444,093.00		9,444,093.00	
Total Deferred Inflows of Resources	9,702,231.00	420,868.00	9,281,363.00	2205.29%
Net Position				
Investment in Capital Assets	31,941,968.77	32,182,337.66	(240,368.89)	(0.75%)
Restricted	1,597,974.59	1,943,422.86	(345,448.27)	(17.78%)
Unrestricted	(35,635,635.85)	(34,365,376.18)	(1,270,259.67)	3.70%
Total Net Position	$ (2,095,692.49)	$ (239,615.66)	$ (1,856,076.83)	774.61%

During the current fiscal year, the College's total assets decreased by $1,006,522.19 (2.60%). Two of the three categories had significant changes that will be discussed in the following paragraph.

Current assets decreased due in large part to the decrease in cash and cash equivalents (unrestricted and restricted) of $678,572.82. The decrease in cash and cash equivalents was due mainly to the additional expenditures that the College incurred for various projects. There were three relatively significant undertakings that the College concentrated on for the digital advancement of both the employees and our students and the salvage of furniture that would have otherwise been discarded. To begin with, the College purchased a new Etrieve content software tool for storing paper electronically campus wide. This new software will aid in the efficiency of retrieving information more readily for students and between departments. The

College will profit from this new software because keeping paper documents that are required to be maintained by various agencies means building more storage capacity for those documents. By providing the electronic version of information, no additional storage on campus will be needed and documents can be printed if necessary. Furthermore, to ensure that the College remains technologically innovative, new computers and information technology tools were purchased to ensure that our students, faculty, and employees were educated on tools necessary in today's rapidly changing environment. The final major investment was the refurbishment of the College's already existing furniture. Instead of buying new pieces of furniture, the College opted to reupholster chairs and refinish furniture. This decision has allowed the College to have increased options of furniture around the campus and to restore these items instead of creating additional disposal of non-reusable assets. Turning now to capital assets, the decrease of those assets resulted mainly from the purchases of equipment totaling $882,925.38 offset by total depreciation expense of $1,211,677.32.

Deferred outflows and deferred inflows of resources related to pensions, as well as the net pension liability, which is classified under long-term liabilities, decreased by $1,753,547.00, $162,730.00, and $1,022,759.00, respectively, based on changes in the actuarial valuations for the Teachers and State Employees' Retirement System's (TSERS) pension plan.

There is, however, another significant change in financial statement reporting. This is the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in the current fiscal year. Other postemployment benefits (OPEB) include the Retiree Health Benefit Fund (RHBF) and the Disability Income Plan of North Carolina (DIPNC) and the Retirees' Contributor Death Benefit Plan (CDBP). As part of the GASB 75 implementation, the College restated its beginning balances and is required to make year-end entries related to its proportionate share of the net OPEB asset, net OPEB liability, OPEB expense and the associated deferred outflows of resources and deferred inflows of resources for the RHBF and the DIPNC only. These funds are the State's two cost-sharing, multiple-employer OPEB plans and, therefore, are recognized on the College's financial statements. The new accounting has had an exponentially large impact on the College's statements, not so much with the DIPNC fund, rather the RHBF fund. Deferred outflows of resources related to other postemployment benefits, the net OPEB liability, and deferred inflows of resources related to other postemployment benefits changed from the prior year's restated amounts by $74,712.00, ($9,067,857.00), and $9,444,093.00, respectively, due to changes in the actuarial valuations for the OPEB plans. Needless to say, the performance of the State's retirement plan and the OPEB funds now directly impact the College's financial statement reporting each year based on its pro rata share.

The current portion of long-term liabilities increased by $45,208.77 (55.50%) due to increases in compensated absences caused by additional personnel retirements.

Restricted net position decreased by $345,448.27 (17.78%), primarily due to reductions of current restricted cash of $351,237.86, discussed at length in the current assets section above. The change in unrestricted net position is mainly due to the implementation of GASB 75. See Note 10 for further discussion of the impact on unrestricted net position.

Statement of Revenues, Expenses, and Changes in Net Position

The following comparative statement for the fiscal years ended 2018 and 2017 reflects the monetary and percentage increase or decrease in reported revenues and expenses between years.

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

	2018	2017*	Increase/ (Decrease)	Percent Change
Operating Revenues:				
Student Tuition and Fees, Net	$ 2,907,289.43	$ 2,745,711.55	$ 161,577.88	5.88%
Sales and Services, Net	555,270.49	544,515.07	10,755.42	1.98%
Other Operating Revenues	17,367.74	21,438.01	(4,070.27)	(18.99%)
Total Operating Revenues	3,479,927.66	3,311,664.63	168,263.03	5.08%
Operating Expenses:				
Salaries and Benefits	23,254,369.52	21,555,408.86	1,698,960.66	7.88%
Supplies and Materials	4,477,374.65	3,166,189.02	1,311,185.63	41.41%
Services	2,943,473.86	2,677,923.46	265,550.40	9.92%
Scholarships and Fellowships	4,006,958.42	3,946,172.29	60,786.13	1.54%
Utilities	600,136.13	626,876.21	(26,740.08)	(4.27%)
Depreciation Expense	1,211,677.32	1,187,049.38	24,627.94	2.07%
Total Operating Expenses	36,493,989.90	33,159,619.22	3,334,370.68	10.06%
Operating Loss	(33,014,062.24)	(29,847,954.59)	3,166,107.65	10.61%
Nonoperating Revenues (Expenses):				
State Aid	17,336,640.93	17,069,811.94	266,828.99	1.56%
County Appropriations	3,890,355.00	3,679,443.00	210,912.00	5.73%
Noncapital Grants and Gifts	7,510,671.18	7,213,351.98	297,319.20	4.12%
Other Nonoperating Income (Expenses)	176,699.87	(118,282.27)	294,982.14	(249.39%)
Net Nonoperating Revenues	28,914,366.98	27,844,324.65	1,070,042.33	3.84%
State Capital Aid	1,198,559.69	586,634.36	611,925.33	104.31%
County Capital Aid	991,696.61	601,105.29	390,591.32	64.98%
Capital Grants and Gifts	53,362.13	585,083.99	(531,721.86)	(90.88%)
Decrease in Net Position	(1,856,076.83)	(230,806.30)		
Net Position, Beginning of Year	(239,615.66)	33,970,111.64		
Restatement		(33,978,921.00)		
Net Position, End of Year	$ (2,095,692.49)	$ (239,615.66)		

Fiscal Year 2017-2018 total revenues were $34,637,913.07 and total expenses were $36,493,989.90.
Fiscal Year 2016-2017 total revenues were $33,047,095.19 and total expenses were $33,277,901.49.

*Note - The year ended June 30, 2017 column is not presented "as restated" above because actuarial valuations performed relative to the implementation of GASB 75 do not provide sufficient information to restate these amounts.

Even though tuition remained the same at $76.00 a credit hour in both the 2016-2017 and 2017-2018 fiscal years, there was significant enrollment growth which resulted in an increase of 176 students for the 2017-2018 year. This accounts for the additional $161,577.88 that the College received in revenue for net student tuition and fees.

Total operating expenses increased by $3,334,370.68 (10.06%). Salaries and benefits increased based on several factors. One of the notable factors was the pension expense increasing by $425,003.00. In addition, was the new OPEB expense recognized in the current year but not in prior years. The amount recognized as OPEB expense was $1,186,364.00. Along with the salary increase, retirement expense and medical insurance also increased which compounded the significant expense augmentation. Last year the retirement percentage that had to be paid to TSERS was 16.12% for July-December 2016 and then increased again for the last half of the year to 16.54% of wages; however, for the current year, the percentage was increased to 17.13% for the whole 2017-2018 year. The College paid almost $262,000.00 more in retirement expense for the current year, as opposed to prior year. In addition, medical insurance paid for in 2017-2018 was $81,665.75 more than the prior year. Supplies and material also increased during the year. The College spent $1,312,971.82 on construction projects this year that were not capitalized but expensed based on the nature of the work performed. Last year, the construction projects that were expensed only totaled $487,687.86. This difference explains the reason for the majority increase in expenses for supplies and materials. The remaining increase was the expenditures of software and non-capitalized technology expenditures that were addressed previously in the net position section of this document. Services rose in the current year due in large part to three expense areas. Those areas include: 1) $91,187.43 which was spent on developing the master plan which displays the College's vision of future facilities expansion, 2) $69,565.41 increase in maintenance contracts related elevator upgrades, and 3) $57,733.75 increase in insurance expense which includes the timing of payments and an increase in premiums.

Net nonoperating revenues improved by $1,070,042.33 (3.84%). Other nonoperating revenues (expenses) changed significantly based on the recognition of expenses in fiscal year 2016-2017 related to the donation of land to both the county and city for the Maxwell Regional Agriculture & Convention Center and the bike path and greenway extension. Since the donated land expense of $222,100.71 was netted against other nonoperating revenues last year, the current year is significantly higher.

State capital aid is a direct reflection of expenditures for State capital projects and assets. The increase in this caption of $611,925.33 is primarily due to state capital aid expenditures related to the state portion of the Connect NC Bond funds for the current year which rose by $459,099.97. The increase in county capital aid is a direct reflection of the County funded capital projects that are renovating the buildings owned by the College. The County matched a portion of the state capital aid for the various Connect NC Bond funds and for repairs and renovations to the Advance Manufacturing Center (Center). Last year the College was awarded a Golden Leaf Grant of $500,000.00 for the College's Welding program. The revenue was recognized last year which accounts for the large difference between last years' and this years' capital grants and gifts.

Capital Assets

The following schedule compares capital assets for the fiscal years 2018 and 2017, net of accumulated depreciation.

	2018	2017	Increase/ (Decrease)	Percent Change
Land	$ 1,654,564.92	$ 1,654,564.92	$ 0.00	0.00%
Construction in Progress	145,705.77		145,705.77	
Buildings	20,653,348.72	21,408,612.88	(755,264.16)	(3.53%)
Machinery and Equipment	8,254,989.00	7,862,579.74	392,409.26	4.99%
General Infrastructure	1,233,360.36	1,256,580.12	(23,219.76)	(1.85%)
Totals	$ 31,941,968.77	$ 32,182,337.66	$ (240,368.89)	(0.75%)

At June 30, 2018, net capital assets of $31,941,968.77 represents $52,789,927.97 invested in capital assets less $20,847,959.20 in accumulated depreciation. Construction in progress consists of expenditures for the preparation of the new greenhouse site that the College is going to purchase with Connect NC Bond funds. The decrease of $755,264.16 for buildings is the depreciation expense for the year. The increase of machinery and equipment is the combined effect of net additions to the gross balance of $647,321.09 offset against net additions to accumulated depreciation of $254,911.83. The gross balance increased due to the purchase of equipment described earlier in the current assets section (decrease in cash).

Economic Factors

The major source of funding for the College is from the State of North Carolina and the level of this support is one of the key factors influencing the College's financial condition and its ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. State aid and state capital aid constituted approximately 53.51% of the College's total revenues for fiscal year 2017-18 – 64.64%, excluding financial aid (noncapital grants).

Most of the state funding the College receives is based on enrollment. There are a variety of formulas to allocate funds per FTE (full-time equivalent), and those have changed only a little over the past few years. The College's FTE enrollment decreased 3.54% in Curriculum, increased 0.52% in Occupational Extension and decreased 11.26% in Basic Skills.

Increased budget flexibility allows the transfer of funds as needs arise. The College has also ramped up efforts to obtain grant funding. Consequently, there are no plans to increase workloads, cap enrollment, or implement a reduction in force.

Looking forward, enrollment numbers for fiscal year 2017-2018 showed an upward trend. The College, being funded based on prior year numbers, will benefit with increased funding in fiscal year 2018-2019.

In summary, this annual report is designed to provide our community, students, donors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the funding it receives.

FINANCIAL STATEMENTS

Wayne Community College
Statement of Net Position
June 30, 2018

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 3,315,578.38
Restricted Cash and Cash Equivalents	1,151,681.01
Receivables, Net (Note 5)	440,037.86
Due from State of North Carolina Component Units	500,000.00
Due from Community College Component Units	6,813.26
Inventories	241,142.79
Total Current Assets	5,655,253.30
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	29,098.66
Net Other Postemployment Benefits Asset	51,390.00
Capital Assets - Nondepreciable (Note 6)	1,800,270.69
Capital Assets - Depreciable, Net (Note 6)	30,141,698.08
Total Noncurrent Assets	32,022,457.43
Total Assets	37,677,710.73
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	4,160,968.00
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	937,759.00
Total Deferred Outflows of Resources	5,098,727.00
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	491,596.61
Unearned Revenue	239,021.64
Funds Held for Others	192,700.33
Long-Term Liabilities - Current Portion (Note 8)	126,670.44
Total Current Liabilities	1,049,989.02
Noncurrent Liabilities:	
Long-Term Liabilities (Note 8)	34,119,910.20
Total Liabilities	35,169,899.22
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	258,138.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	9,444,093.00
Total Deferred Inflows of Resources	9,702,231.00

NET POSITION	
Investment in Capital Assets	31,941,968.77
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	16,000.00
Expendable:	
Scholarships and Fellowships	56,313.55
Loans	8,934.19
Capital Projects	18,504.20
Restricted for Specific Programs	1,246,088.28
Other	252,134.37
Unrestricted	(35,635,635.85)
Total Net Position	$ (2,095,692.49)

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

Wayne 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 11)	$	2,907,289.43
Sales and Services, Net (Note 11)		555,270.49
Other Operating Revenues		17,367.74
Total Operating Revenues		3,479,927.66
EXPENSES		
Operating Expenses:		
Salaries and Benefits		23,254,369.52
Supplies and Materials		4,477,374.65
Services		2,943,473.86
Scholarships and Fellowships		4,006,958.42
Utilities		600,136.13
Depreciation		1,211,677.32
Total Operating Expenses		36,493,989.90
Operating Loss		(33,014,062.24)
NONOPERATING REVENUES		
State Aid		17,336,640.93
County Appropriations		3,890,355.00
Noncapital Grants - Student Financial Aid		5,961,470.87
Noncapital Grants		1,114,974.42
Noncapital Gifts		434,225.89
Investment Income		72,639.71
Other Nonoperating Revenues		104,060.16
Net Nonoperating Revenues		28,914,366.98
Loss Before Other Revenues		(4,099,695.26)
State Capital Aid		1,198,559.69
County Capital Aid		991,696.61
Capital Grants		21,421.13
Capital Gifts		31,941.00
Decrease in Net Position		(1,856,076.83)
NET POSITION		
Net Position, July 1, 2017 as Restated (Note 18)		(239,615.66)
Net Position, June 30, 2018	$	(2,095,692.49)

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

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 3,449,651.30
Payments to Employees and Fringe Benefits	(22,352,595.47)
Payments to Vendors and Suppliers	(8,037,219.38)
Payments for Scholarships and Fellowships	(4,006,958.42)
Other Receipts	222,427.54
Net Cash Used by Operating Activities	(30,724,694.43)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	17,336,640.93
County Appropriations	3,890,355.00
Noncapital Grants - Student Financial Aid	5,946,485.18
Noncapital Grants	1,109,917.96
Noncapital Gifts	450,180.30
Cash Provided by Noncapital Financing Activities	28,733,579.37
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	1,198,559.69
County Capital Aid	991,696.61
Capital Grants	21,421.13
Capital Gifts	877.00
Proceeds from Sale of Capital Assets	12,564.43
Acquisition and Construction of Capital Assets	(999,111.38)
Net Cash Provided by Capital and Related Financing Activities	1,226,007.48
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	72,639.71
Cash Provided by Investing Activities	72,639.71
Net Decrease in Cash and Cash Equivalents	(692,467.87)
Cash and Cash Equivalents, July 1, 2017	5,188,825.92
Cash and Cash Equivalents, June 30, 2018	$ 4,496,358.05

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

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (33,014,062.24)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,211,677.32
Nonoperating Other Income	150,362.68
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	63,917.17
Inventories	13,187.08
Net Other Postemployment Benefits Asset	718.00
Deferred Outflows Related to Pensions	1,753,547.00
Deferred Outflows Related to Other Postemployment Benefits	(74,712.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(2,578.51)
Unearned Revenue	(25,831.37)
Funds Held for Others	3,702.70
Net Pension Liability	(1,022,759.00)
Net Other Postemployment Benefits Liability	(9,067,857.00)
Compensated Absences	4,630.74
Deferred Inflows Related to Pensions	(162,730.00)
Deferred Inflows Related to Other Postemployment Benefits	9,444,093.00
Net Cash Used by Operating Activities	$ (30,724,694.43)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	$ 3,315,578.38
Restricted Cash and Cash Equivalents	1,151,681.01
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	29,098.66
Total Cash and Cash Equivalents - June 30, 2018	$ 4,496,358.05

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through a Gift	$ 29,519.77
Increase in Receivables Related to Nonoperating Income	20,091.23
Loss on Disposal of Capital Assets	(44,758.29)

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

The Foundation of Wayne Community College, Inc.
Statement of Financial Position
June 30, 2018

Exhibit B-1

ASSETS		
Cash and Cash Equivalents	$	1,563,525
Investments		4,612,692
Real Estate Held for Resale		23,000
Pledges Receivable		7,314
Property and Equipment, Nondepreciable		27,770
Total Assets	$	6,234,301
LIABILITIES		
Due to Community College	$	6,814
Total Liabilities		6,814
NET ASSETS		
Unrestricted		1,150,202
Temporarily Restricted		2,488,691
Permanently Restricted		2,588,594
Total Net Assets		6,227,487
Total Liabilities and Net Assets	$	6,234,301

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

The Foundation of Wayne Community College, 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				
Golf Tournament	$ 0	$ 225,018	$ 0	$ 225,018
Interest and Investment Income	23,419	82,665	20	106,104
Contributions	225,018	299,466	63,074	587,558
Donated Services and Facilities	201,859			201,859
Unrealized / Realized Gain	53,423	185,177		238,600
Total Revenues, Gains, and Other Support	503,719	792,326	63,094	1,359,139
Net Assets Released from Restrictions	395,144	(395,144)		
EXPENSES				
Awards, Gifts, and Scholarships	408,081			408,081
Fund Raising Expenses	229,249			229,249
Administrative	99,864			99,864
Special Item - Loss on Sale		796,575		796,575
Total Expenses	737,194	796,575		1,533,769
Change in Net Assets	161,669	(399,393)	63,094	(174,630)
NET ASSETS				
Net Assets, Beginning of Year	988,533	2,888,084	2,525,500	6,402,117
Net Assets, End of Year	$ 1,150,202	$ 2,488,691	$ 2,588,594	$ 6,227,487

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. Wayne Community 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 - The Foundation of Wayne Community College, Inc. (Foundation) is a legally separate, tax-exempt, 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 fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 25 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 $377,066.46 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Executive Director of The Foundation of Wayne Community College, Inc., 3000 Wayne Memorial Drive, Goldsboro, NC 27534.

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

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

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

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

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

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

F. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method.

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

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

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

Asset Class	Estimated Useful Life
Buildings	10-50 years
Machinery & Equipment	2-40 years
General Infrastructure	10-75 years

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

I. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability that will not be paid within the next fiscal year.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2017 *Comprehensive Annual Financial Report.* This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 13 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 14 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

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

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on 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.

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

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

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

Investment in Capital Assets - This represents the College's total investment in capital assets.

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College. Both restricted and unrestricted net position include consideration of deferred outflows of resources and inflows of resources. See Note 10 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

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

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

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

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

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 as approved by the county commissioners.

NOTE 2 - DEPOSITS AND INVESTMENTS

College - The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling $1,455.00, and deposits in private financial institutions with a carrying value of $55,168.67 and a bank balance of $206,206.23.

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

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2018, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

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

At June 30, 2018, the amount shown on the Statement of Net Position as cash and cash equivalents includes $4,439,734.38, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.4 years as of June 30, 2018. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at https://www.nctreasurer.com/ in the Audited Financial Statements section.

Component Unit - Investments of the College's discretely presented component unit, The Foundation of Wayne Community College, 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. As of June 30, 2018, the cost of the investments was $4,235,808 the gross cumulative unrealized gain was $376,884, which results in total investments of $4,612,692. At June 30, 2018, the amount shown on the Statement of Net Position for the Foundation as cash and cash equivalents includes $1,533,050 which represents the Foundation's equity position in the State Treasurer's Short-Term Investment Fund.

NOTE 3 - FAIR VALUE MEASUREMENTS

College - To the extent available, the College's investments are recorded at fair value as of June 30, 2018. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

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

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

Short-Term Investment Fund - At year-end, all of the College's investments valued at $4,439,734.38 were held in the STIF. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The College's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Component Unit - Because the Foundation reports under the FASB reporting model, the disclosure of fair value measurements differ from the GASB reporting model used by the College.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting guidance includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of fair value hierarchy are as follows:

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

Level 2 - Inputs other than quoted prices in active markets for identical assets that are observable either directly or indirectly for substantially the full term of the assets; and

Level 3 - Unobservable inputs for the asset, which includes management's own assumption about the assumptions market participants would use in pricing the asset, including assumptions about risk.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2018.

Fair Value Measurements Using

	Level 1	Level 2	Level 3	Total
Cash & Cash Equivalents	$ 30,475	$ 1,533,050	$ 0	$ 1,563,525
Pledges Receivable	7,314			7,314
Investments	4,612,692			4,612,692
Land & Real Estate			50,770	50,770
Total Assets at Fair Value	$ 4,650,481	$ 1,533,050	$ 50,770	$ 6,234,301

NOTE 4 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with state agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2018, interest earnings of $279.62 were available to be spent from endowment funds.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2018, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Receivables:			
Students	$ 188,331.20	$ 34,545.23	$ 153,785.97
Student Sponsors	158,112.46	350.00	157,762.46
Accounts	21,622.40		21,622.40
Intergovernmental	106,867.03		106,867.03
Total Receivables	$ 474,933.09	$ 34,895.23	$ 440,037.86

NOTE 6 - 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	$ 1,654,564.92	$ 0.00	$ 0.00	$ 1,654,564.92
Construction in Progress		145,705.77		145,705.77
Total Capital Assets, Nondepreciable	1,654,564.92	145,705.77		1,800,270.69
Capital Assets, Depreciable:				
Buildings	37,763,203.58			37,763,203.58
Machinery and Equipment	11,004,381.30	882,925.38	235,604.29	11,651,702.39
General Infrastructure	1,574,751.31			1,574,751.31
Total Capital Assets, Depreciable	50,342,336.19	882,925.38	235,604.29	50,989,657.28
Less Accumulated Depreciation for:				
Buildings	16,354,590.70	755,264.16		17,109,854.86
Machinery and Equipment	3,141,801.56	433,193.40	178,281.57	3,396,713.39
General Infrastructure	318,171.19	23,219.76		341,390.95
Total Accumulated Depreciation	19,814,563.45	1,211,677.32	178,281.57	20,847,959.20
Total Capital Assets, Depreciable, Net	30,527,772.74	(328,751.94)	57,322.72	30,141,698.08
Capital Assets, Net	$ 32,182,337.66	$ (183,046.17)	$ 57,322.72	$ 31,941,968.77

NOTE 7 - 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	$ 137,923.26
Accrued Payroll	352,667.83
Intergovernmental Payables	1,005.52
Total Accounts Payable and Accrued Liabilities	$ 491,596.61

NOTE 8 - 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	$ 797,080.90	$ 663,721.26	$ 659,090.52	$ 801,711.64	$ 126,670.44
Net Pension Liability	8,641,409.00		1,022,759.00	7,618,650.00	
Net Other Postemployment Benefits Liability	34,894,076.00		9,067,857.00	25,826,219.00	
Total Long-Term Liabilities	$ 44,332,565.90	$ 663,721.26	$ 10,749,706.52	$ 34,246,580.64	$ 126,670.44

Additional information regarding the net pension liability is included in Note 13.
Additional information regarding the net other postemployment benefits liability is included in Note 14.

NOTE 9 - OPERATING LEASE OBLIGATIONS

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

Fiscal Year	Amount
2019	$ 249,523.48
2020	113,237.70
2021	2,890.22
2022	1,788.00
2023	1,490.00
Total Minimum Lease Payments	$ 368,929.40

Rental expense for all operating leases during the year was $255,605.48.

NOTE 10 - NET POSITION

The deficit in unrestricted net position of $35,635,635.85 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	$ 4,160,968.00	$ 0.00	$ 4,160,968.00
Deferred Outflows Related to OPEB		891,051.00	891,051.00
Noncurrent Liabilities:			
Long-Term Liabilities:			
Net Pension Liability	7,618,650.00		7,618,650.00
Net OPEB Liability		25,826,219.00	25,826,219.00
Deferred Inflows Related to Pensions	258,138.00		258,138.00
Deferred Inflows Related to OPEB		9,444,093.00	9,444,093.00
Net Effect on Unrestricted Net Position	$ (3,715,820.00)	$ (34,379,261.00)	$ (38,095,081.00)

See Notes 13 and 14 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

NOTE 11 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Change in Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees, Net	$ 5,388,305.12	$ 0.00	$ 2,470,374.70	$ 10,640.99	$ 2,907,289.43
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Student Union Services	$ 30,096.33	$ 0.00	$ 0.00	$ 0.00	$ 30,096.33
Bookstore	100,212.85				100,212.85
Preschool	379,551.61				379,551.61
Other	33,543.78	7,571.38			25,972.40
Sales and Services of Education and Related Activities	19,437.30				19,437.30
Total Sales and Services, Net	$ 562,841.87	$ 7,571.38	$ 0.00	$ 0.00	$ 555,270.49

NOTE 12 - 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	$ 13,551,106.54	$ 1,483,709.61	$ 491,388.49	$ 0.00	$ 0.00	$ 0.00	$ 15,526,204.64
Public Service		7,901.82	19,269.64				27,171.46
Academic Support	2,541,448.94	255,742.78	132,591.68				2,929,783.40
Student Services	2,132,885.04	151,181.36	259,982.60	79,337.43			2,623,386.43
Institutional Support	3,358,278.12	507,787.60	1,192,585.40				5,058,651.12
Operations and Maintenance of Plant	1,669,250.76	1,547,510.46	722,925.34		600,136.13		4,539,822.69
Student Financial Aid			17,961.46	3,927,281.26			3,945,242.72
Auxiliary Enterprises	1,400.12	523,541.02	106,769.25	339.73			632,050.12
Depreciation						1,211,677.32	1,211,677.32
Total Operating Expenses	$ 23,254,369.52	$ 4,477,374.65	$ 2,943,473.86	$ 4,006,958.42	$ 600,136.13	$ 1,211,677.32	$ 36,493,989.90

NOTE 13 - 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 $883,686.72, and the College's contributions were $1,587,690.47 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 $7,618,650.00 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 0.09602%, which was an increase of 0.002 from its proportion measured as of June 30, 2016, which was 0.09402%.

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 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%)
$ 15,682,336.00	$ 7,618,650.00	$ 862,310.00

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 $2,154,680.00. 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	$ 165,158.00	$ 249,246.00
Changes of Assumptions	1,203,633.00	
Net Difference Between Projected and Actual Earnings on Plan Investments	1,031,062.00	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	173,424.53	8,892.00
Contributions Subsequent to the Measurement Date	1,587,690.47	
Total	$ 4,160,968.00	$ 258,138.00

The amount of $1,587,690.47 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	$ 512,291.00
2020	1,493,629.00
2021	721,862.00
2022	(412,642.47)
Total	$ 2,315,139.53

NOTE 14 - 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 15. 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 $891,050.78 for the year ended June 30, 2018.

2. Disability Income

Plan Administration: As discussed in Note 15, 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 $20,619.36 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 $25,826,219.00 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 0.07877%, which was a decrease of 0.00144 from its proportion measured as of June 30, 2016, which was 0.08021%.

Net OPEB Asset: At June 30, 2018, the College reported an asset of $51,390.00 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 0.08408%, which was an increase of 0.00017 from its proportion measured as of June 30, 2016, which was 0.08391%.

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	$ 30,808,964.00	$ 25,826,219.00	$ 21,873,846.00
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	$ (43,689.00)	$ (51,390.00)	$ (59,108.00)

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	$ 21,097,483.00	$ 25,826,219.00	$ 32,110,859.00
DIPNC Net OPEB Asset	N/A	N/A	N/A

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the College recognized OPEB expense of $1,186,364.00 for RHBF and $27,548.00 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	$ 14,090.00	$ 14,090.00
Changes of Assumptions			
Net Difference Between Projected and Actual Earnings on Plan Investments		11,264.00	11,264.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	0.22	734.64	734.86
Contributions Subsequent to the Measurement Date	891,050.78	20,619.36	911,670.14
Total	$ 891,051.00	$ 46,708.00	$ 937,759.00

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 1,851,787.00	$ 0.00	$ 1,851,787.00
Changes of Assumptions	7,112,423.00		7,112,423.00
Net Difference Between Projected and Actual Earnings on Plan Investments	9,598.00		9,598.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	470,285.00		470,285.00
Total	$ 9,444,093.00	$ 0.00	$ 9,444,093.00

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	$ (1,889,299.00)	$ 7,759.00
2020	(1,889,299.00)	7,759.00
2021	(1,889,299.00)	7,757.00
2022	(1,889,299.00)	2,813.64
2023	(1,886,896.78)	
Total	$ (9,444,092.78)	$ 26,088.64

NOTE 15 - 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. Public Entity Risk Pool

Public School Insurance Fund

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

B. Employee Benefit Plans

1. State Health Plan

College employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer contributions. Certain plans also require contributions from employees. The Plan has contracted with third parties to process claims. See Note 14, 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 14, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

C. Other Risk Management and Insurance Activities

1. Automobile Insurance

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. College employees paid from non-state funds are covered by contracts with a private insurance company. Premiums for the insurance are charged to the College.

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the College

The College purchases malpractice insurance for students in medical related fields. Coverage is provided at $2,000,000 per occurrence with a limit of $5,000,000.

NOTE 16 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were $323,109.50 at June 30, 2018.

NOTE 17 - 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 18 - 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	$	33,739,305.34
Restatement:		
Record the College's Net OPEB Asset and Liability and OPEB Related Deferred Outflows and Inflows of Resources Per GASB 75 Requirements.		(33,978,921.00)
July 1, 2017 Net Position as Restated	$	(239,615.66)

REQUIRED SUPPLEMENTARY INFORMATION

Wayne 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	0.09602%	0.09402%	0.09552%	0.09332%	0.09100%
Proportionate Share of TSERS Collective Net Pension Liability	$ 7,618,650.00	$ 8,641,409.00	$ 3,520,101.00	$ 1,094,103.00	$ 5,524,627.00
Covered Payroll	$ 13,922,742.56	$ 13,640,473.89	$ 13,713,975.33	$ 13,181,169.99	$ 13,282,575.59
Net Pension Liability as a Percentage of Covered Payroll	54.72%	63.35%	25.67%	8.30%	41.59%
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.

Wayne 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	$ 1,587,690.47	$ 1,389,489.71	$ 1,248,103.36	$ 1,254,828.74	$ 1,145,443.67
Contributions in Relation to the Contractually Determined Contribution	1,587,690.47	1,389,489.71	1,248,103.36	1,254,828.74	1,145,443.67
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 14,728,111.99	$ 13,922,742.56	$ 13,640,473.89	$ 13,713,975.33	$ 13,181,169.99
Contributions as a Percentage of Covered Payroll	10.78%	9.98%	9.15%	9.15%	8.69%

	2013	2012	2011	2010	2009
Contractually Required Contribution	$ 1,106,438.55	$ 936,583.99	$ 625,838.86	$ 454,890.48	$ 447,729.54
Contributions in Relation to the Contractually Determined Contribution	1,106,438.55	936,583.99	625,838.86	454,890.48	447,729.54
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 13,282,575.59	$ 12,588,494.44	$ 12,694,500.12	$ 12,742,030.17	$ 13,325,283.85
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.

Wayne 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* .

Wayne 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	0.07877%	0.08021%
Proportionate Share of Collective Net OPEB Liability	$ 25,826,219.00	$ 34,894,076.00
Covered Payroll	$ 13,922,742.56	$ 13,640,473.89
Net OPEB Liability as a Percentage of Covered Payroll	185.50%	255.81%
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	0.08408%	0.08391%
Proportionate Share of Collective Net OPEB Asset	$ 51,390.00	$ 52,108.00
Covered Payroll	$ 13,922,742.56	$ 13,640,473.89
Net OPEB Asset as a Percentage of Covered Payroll	0.37%	0.38%
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* .

Wayne 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	$ 891,050.78	$ 808,468.35	$ 763,866.54	$ 752,897.25	$ 711,783.18
Contributions in Relation to the Contractually Determined Contribution	891,050.78	808,468.35	763,866.54	752,897.25	711,783.18
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 14,728,111.99	$ 13,922,742.56	$ 13,640,473.89	$ 13,713,975.33	$ 13,181,169.99
Contributions as a Percentage of Covered Payroll	6.05%	5.81%	5.60%	5.49%	5.40%

	2013	**2012**	**2011**	**2010**	**2009**
Contractually Required Contribution	$ 703,976.51	$ 629,424.72	$ 622,030.51	$ 573,391.36	$ 546,336.64
Contributions in Relation to the Contractually Determined Contribution	703,976.51	629,424.72	622,030.51	573,391.36	546,336.64
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 13,282,575.59	$ 12,588,494.44	$ 12,694,500.12	$ 12,742,030.17	$ 13,325,283.85
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	$ 20,619.36	$ 52,906.42	$ 55,925.94	$ 56,227.30	$ 57,997.15
Contributions in Relation to the Contractually Determined Contribution	20,619.36	52,906.42	55,925.94	56,227.30	57,997.15
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 14,728,111.99	$ 13,922,742.56	$ 13,640,473.89	$ 13,713,975.33	$ 13,181,169.99
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	$ 58,443.33	$ 65,460.17	$ 66,011.40	$ 66,258.56	$ 69,291.48
Contributions in Relation to the Contractually Determined Contribution	58,443.33	65,460.17	66,011.40	66,258.56	69,291.48
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 13,282,575.59	$ 12,588,494.44	$ 12,694,500.12	$ 12,742,030.17	$ 13,325,283.85
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.

Wayne 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 14 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

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

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

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

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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

Board of Trustees
Wayne Community College
Goldsboro, 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 Wayne 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 14, 2019. Our report includes a reference to other auditors who audited the financial statements of The Foundation of Wayne Community College, Inc., as described in our report on the College's financial statements. The financial statements of The Foundation of Wayne Community College, 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 Foundation of Wayne Community College, Inc.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 14, 2019

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For additional information contact:
Brad Young
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919-807-7513

This audit required 273 hours at an approximate cost of $28,119.