STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

FAYETTEVILLE TECHNICAL COMMUNITY COLLEGE

FAYETTEVILLE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2019

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
Fax: (919) 807-7647
https://www.auditor.nc.gov

AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Fayetteville Technical Community College for the year ended June 30, 2019, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

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
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
https://www.auditor.nc.gov

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fayetteville Technical Community College
Fayetteville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Fayetteville Technical Community College (College), a component unit of the State of North Carolina, as of and for the year ended June 30, 2019, 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 an opinion on these financial statements based on our audit. 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.

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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fayetteville Technical Community College, as of June 30, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 January 15, 2020 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

January 15, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Fayetteville Technical Community College's (College) financial statements presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2019, with comparative data for the fiscal year ended June 30, 2018. This Management's 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, notes to the financial statements, and required supplementary information.

Using This Annual Report

The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. This annual report consists of a series of financial statements, prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). The financial statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. The three financial statements presented include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources, less liabilities and deferred inflows of resources) of the College as of the end of the fiscal year. It is a point-in-time financial statement.

The Statement of Revenues, Expenses, and Changes in Net Position reports the College's results of operation for the fiscal year. It presents the revenues earned by the College and the expenses incurred by the College, both operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the College. It is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

The Statement of Cash Flows provides information relative to the College's sources and uses of cash for operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The statement provides a reconciliation of beginning cash balances to ending cash balances and is representative of the activity reported on the Statement of Revenues, Expenses, and Changes in Net Position as adjusted for changes in the beginning and ending balances of noncash accounts on the Statement of Net Position.

Financial Highlights

The College's net position increased from $4,764,067.46 at June 30, 2018, to $10,347,646.06 at June 30, 2019. This increase of $5,583,578.60, or 117.2 percent is due to changes in a combination of accounts, including increases in investment in capital assets, restricted net position, and unrestricted net position as discussed below.

Investment in capital assets increased $795,990.08 or 0.9 percent. In FY 2019, the College recorded additions to land, construction in progress, buildings, and equipment. The land account increased by $627,925.00, which represents land donations from the county. These donations consisted of $322,258.00 for the J.P. Riddle Stadium property and $305,667.00 for the Fire and Emergency Services property. Construction in progress increased $26,550.00 and represents work in progress at the Horticulture Education Center for a new greenhouse. The buildings account increased $272,238.00, which reflects buildings donated as part of the

J.P. Riddle Stadium donation to the College. The College's machinery and equipment purchases totaled $2,512,000.75 for FY 2019. Capital assets decreased due to depreciation expense of $2,394,132.95 and the disposal of equipment that had a net remaining book value of $248,590.72. The College's significant capital asset activity is covered later in this discussion and analysis.

Restricted net position increased $1,869,680.96 or 142.8 percent from FY 2018 to FY 2019. This increase occurred mainly in the restricted capital projects net position account where funds have been provided for the construction of a new Fire and Emergency Services Center.

Unrestricted net position increased $2,917,907.56 or 3.6 percent from FY 2018 to FY 2019. This is the result of fluctuations in a combination of unrestricted accounts. An overall increase in unrestricted net position occurs when unrestricted revenues are greater than expenses paid from unrestricted funds. Unrestricted revenues are generated from student tuition and fees, sales and services, other operating revenues, state aid, county appropriations, investment income, unrestricted noncapital grants, and gifts. Expenses paid from unrestricted funds include the majority of the College's salaries and benefits, supplies and materials, services, and utilities. The change in the unrestricted net position account balance at June 30, 2019, is due to a number of factors, which are addressed throughout this discussion and analysis.

Total net position as of June 30, 2019, consists of investment in capital assets (833.0 percent), restricted net position (30.7 percent), and unrestricted net position ((763.7 percent)).

Adjusted Statement of Unrestricted Net Position, Exclusive of Plant (UNPEP)

	2015	2016	2017	2018	2019
Unrestricted Net Position	$ 6,998,326.71	$ 10,645,004.68	$ 12,504,249.99	$ (81,948,517.60)	$ (79,030,610.04)
+Compensated Absences - Current	404,115.65	504,644.87	472,226.27	333,733.25	315,296.91
+Compensated Absences - Non-Current	2,445,581.38	2,003,861.50	1,763,131.19	1,919,588.78	2,201,229.28
+Net OPEB Liability (implemented 2018)	N/A	N/A	N/A	69,265,469.00	62,271,887.00
+Net Pension Liability (implemented in 2015)	2,953,680.00	9,280,066.00	23,503,310.00	20,316,136.00	25,307,383.00
+Deferred Inflows of Resources Related to OPEB	N/A	N/A	N/A	28,955,793.00	35,146,601.00
+Deferred Inflows of Resources Related to Pensions	10,667,893.00	2,060,559.00	1,110,799.00	664,647.00	253,976.00
-Deferred Outflows of Resources Related to OPEB	N/A	N/A	N/A	2,587,680.06	5,762,741.41
-Deferred Outflows of Resources Related to Pensions	3,726,963.57	3,894,427.57	16,351,316.41	11,334,256.28	14,922,048.43
UNPEP	$ 19,742,633.17	$ 20,599,708.48	$ 23,002,400.04	$ 25,584,913.09	$ 25,780,973.31

The College's Adjusted Statement of Unrestricted Net Position, Exclusive of Plant (UNPEP) shows positive and strengthening UNPEP at the end of each of the most recent five fiscal years. Unrestricted net position on the College's financial statements are already reported net of plant, but it is also reasonable to add back compensated absences, the pension liability, and other postemployment benefit (OPEB) liabilities to determine operational resources. The pension liability and associated deferrals were reported beginning in fiscal year 2015 as a result of the College's implementation of GASB 68, *Accounting and Financial Reporting for Pensions*. OPEB liabilities and associated deferrals were reported beginning in FY 2018 as the result of the College's implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* In the case of both liabilities, the amounts reported are estimates, based on audited actuarial calculations performed at the statewide level. Individual North Carolina community colleges' pro-rata share of the statewide liabilities must be reported on the financial statements of each college, but they are not funded at the college level. The implementation of these accounting standards requires colleges to record these liabilities without the associated assets. Because these liabilities are unfunded liabilities, the College removed their impact from UNPEP calculations. Compensated absences represent another unfunded liability on the College's financial statements; therefore, their impact has also been removed from UNPEP.

Condensed Statement of Net Position

	2019	2018	Increase/ (Decrease)	% Change
ASSETS				
Current Assets	$ 30,190,517.30	$ 28,905,206.46	$ 1,285,310.84	4.4%
Noncurrent Assets:				
Capital, Net	86,199,250.10	85,403,260.02	795,990.08	0.9%
Other	2,198,017.21	739,834.31	1,458,182.90	197.1%
Total Assets	118,587,784.61	115,048,300.79	3,539,483.82	3.1%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows for Pensions	14,922,048.43	11,334,256.28	3,587,792.15	31.7%
Deferred Outflows for OPEB	5,762,741.41	2,587,680.06	3,175,061.35	122.7%
Total Deferred Outflows of Resources	20,684,789.84	13,921,936.34	6,762,853.50	48.6%
LIABILITIES				
Current Liabilities	3,743,852.11	3,084,535.89	659,316.22	21.4%
Long-Term Liabilities	89,780,499.28	91,501,193.78	(1,720,694.50)	-1.9%
Total Liabilities	93,524,351.39	94,585,729.67	(1,061,378.28)	-1.1%
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows for Pensions	253,976.00	664,647.00	(410,671.00)	-61.8%
Deferred Inflows for OPEB	35,146,601.00	28,955,793.00	6,190,808.00	21.4%
Total Deferred Inflows of Resources	35,400,577.00	29,620,440.00	5,780,137.00	19.5%
NET POSITION				
Investment in Capital Assets	86,199,250.10	85,403,260.02	795,990.08	0.9%
Restricted	3,179,006.00	1,309,325.04	1,869,680.96	142.8%
Unrestricted	(79,030,610.04)	(81,948,517.60)	2,917,907.56	-3.6%
Total Net Position	$ 10,347,646.06	$ 4,764,067.46	$ 5,583,578.60	117.2%

As of June 30, 2019, the College had recorded $121,321,702.36 in capital assets and $35,122,452.26 in accumulated depreciation, resulting in net capital assets of $86,199,250.10.

Current assets increased $1,285,310.84 or 4.4 percent from FY 2018 to FY 2019. The majority of this increase is the result of an increase in current cash and cash equivalents of $674,006.17 and an increase in inventories of $452,622.18. Drivers of the increase in cash included a $382,575.79 increase from bookstore operations, and a $448,149.82 increase in the technology fees fund. The bookstore sales in FY 2019 were flat compared to FY 2018, however the cost of goods sold decreased by over $555,000.00, which was partly related to the sale of more electronic books in FY 2019. The increase in technology fees was due to the fund retaining fees earned during FY 2019 without incurring any significant expenses. The increase in inventories of $452,622.18 at the end of FY 2019 is primarily related to bookstore inventory, which increased $407,378.03 from FY 2018 to FY 2019. In the previous year, the College implemented e-books on a trial basis for a couple of large programs. It was learned through this trial that student preferences vary between e-books and traditional textbooks. As a result, more traditional textbooks were available in the store in FY 2019 in order to give students both options.

Noncurrent assets increased $2,254,172.98 or 2.6 percent from FY 2018 to FY 2019. This change is due to a combination of accounts. The significant account changes include an increase in restricted cash of $1,844,933.25 related to funds committed for the construction of a new Fire and Emergency Services Center, an increase in capital assets, non-depreciable of $654,475.00, and an increase in capital assets, depreciable of $141,515.08.

Deferred outflows of resources increased $6,762,853.50 or 48.6 percent from FY 2018 to FY 2019. Deferred outflows related to pensions increased by $3,587,792.15 and deferred outflows related to OPEB increased by $3,175,061.35 during FY 2019. The net difference between projected and actual earnings along with changes in assumptions on pension plan investments is the biggest component of the deferred outflow change.

Current liabilities increased $659,316.22 or 21.4 percent from FY 2018 to FY 2019. This increase is primarily attributable to increases in accounts payable, accrued liabilities, and unearned revenue. Accounts payable increased $303,538.78, which includes $221,962.00 for repair work performed prior to June 30, 2019 by the contractor on the Regional Cooling Tower project. The invoice was not received until after June 30, 2019. Unearned revenue related to summer semester classes increased $346,977.22 from FY 2018 to FY 2019. For financial reporting purposes, the College defers a portion of its tuition and fees revenue paid by students for summer classes. This liability is considered unearned revenue because even though the College received payment for the classes before the fiscal year end of June 30, a portion of the summer semester extends beyond June 30. The College records a liability for this portion of the summer semester because the College has not yet fulfilled its obligation to teach these classes at June 30.

Long-term liabilities consist of the long-term portion of compensated absences, net pension liability, and net other postemployment benefits. Long-term liabilities decreased $1,720,694.50 or 1.9 percent from FY 2018 to FY 2019. Total compensated absences include the balance of regular earned annual leave plus bonus leave, including benefits, for all full-time employees. The long-term portion of total compensated absences increased $281,640.50 during FY 2019. A significant reason for this increase was due to the requirement that colleges record special bonus leave beginning in FY 2019 related to Session Law 2017-57, which granted full-time employees three additional days of annual leave. If not used prior to the time of separation or retirement, the bonus leave cannot be paid out and is lost. The total amount accrued in FY 2019 for this special bonus leave was $201,976.38, of which $176,244.59 is included in long-term liabilities. The remaining amount of $25,731.79 is included in current liabilities. The net pension liability increased $4,991,247.00 in FY 2019 and the OPEB liability decreased $6,993,582.00. The net pension and OPEB liabilities amounts are determined annually by actuaries and audited by the North Carolina Office of the State Auditor.

For FY 2019, deferred inflows related to pensions decreased $410,671.00, or 61.8 percent and deferred inflows related to OPEB increased $6,190,808.00, or 21.4 percent, due to changes in assumptions and the difference between actual and expected experience. For FY 2019, the College's deferred inflows were $253,976.00 related to pensions and $35,146,601.00 related to OPEB. Deferred outflows or inflows of resources are recorded for outflows or inflows that take place during the current fiscal year, but relate to a future time period. The deferred outflows and inflows of resources are determined annually by actuaries and audited by the North Carolina Office of the State Auditor.

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

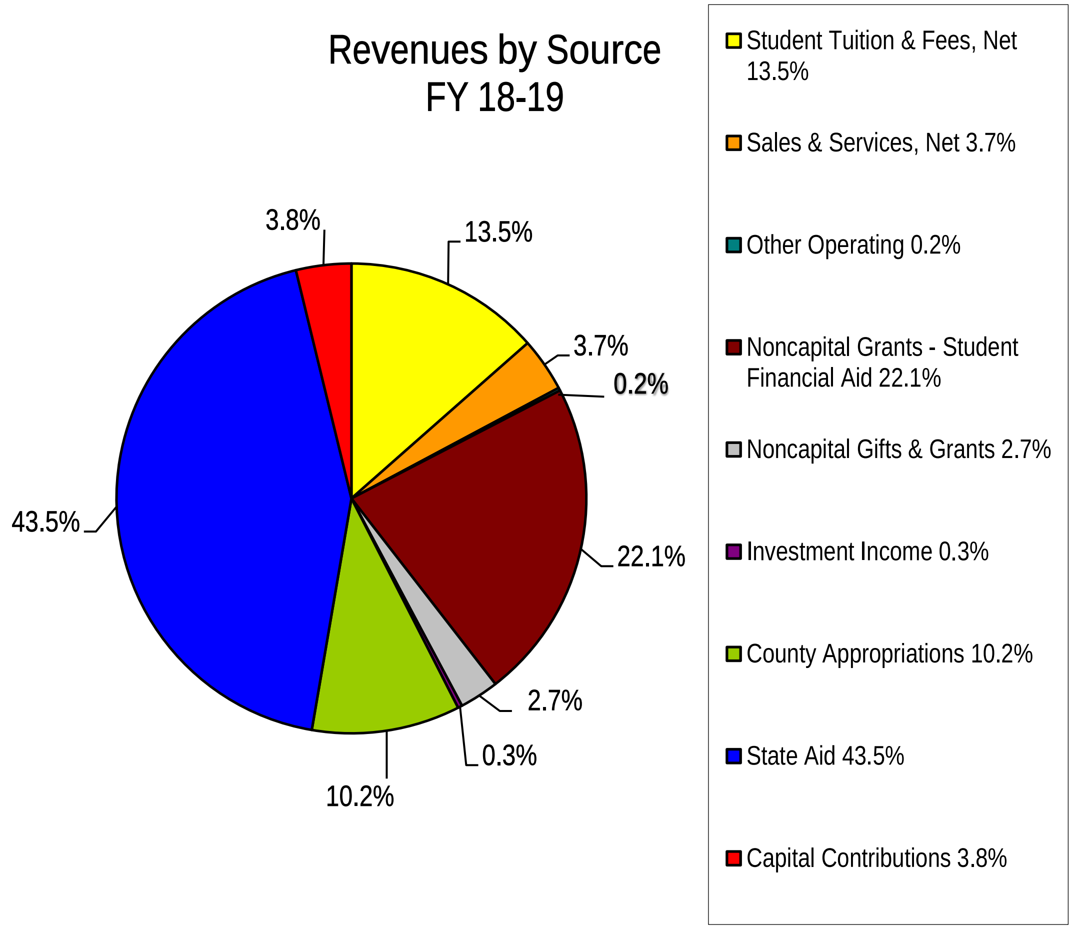
	2019	2018	Increase/ (Decrease)	% Change
OPERATING REVENUES				
Student Tuition and Fees, Net	$ 15,638,383.90	$ 15,440,169.70	$ 198,214.20	1.3%
Grants and Contracts	26,757.36	27,306.62	(549.26)	-2.0%
Sales and Services, Net	4,295,844.51	4,334,592.29	(38,747.78)	-0.9%
Other Operating Revenues	162,581.22	182,194.77	(19,613.55)	-10.8%
Total Operating Revenues	20,123,566.99	19,984,263.38	139,303.61	0.7%
OPERATING EXPENSES				
Salaries and Benefits	63,054,495.36	64,590,224.06	(1,535,728.70)	-2.4%
Supplies and Materials	12,106,833.35	11,989,340.88	117,492.47	1.0%
Services	12,060,379.92	12,118,682.71	(58,302.79)	-0.5%
Scholarships and Fellowships	18,033,459.64	16,761,946.00	1,271,513.64	7.6%
Utilities	2,253,301.66	2,219,352.82	33,948.84	1.5%
Depreciation	2,394,132.95	2,296,963.77	97,169.18	4.2%
Total Operating Expenses	109,902,602.88	109,976,510.24	(73,907.36)	-0.1%
Operating Loss	(89,779,035.89)	(89,992,246.86)	(213,210.97)	-0.2%
NONOPERATING REVENUES (EXPENSES)				
State Aid	50,230,894.71	48,228,286.52	2,002,608.19	4.2%
County Appropriations	11,735,900.00	11,172,379.00	563,521.00	5.0%
Noncapital Grants - Student Financial Aid	25,597,461.31	25,239,753.23	357,708.08	1.4%
Noncapital Grants	3,153,007.45	3,091,944.77	61,062.68	2.0%
Noncapital Gifts	19,182.00		19,182.00	100.0%
Investment Income	389,342.79	204,214.65	185,128.14	90.7%
Other Nonoperating Expenses	(196,259.29)	(589,907.35)	(393,648.06)	-66.7%
Net Nonoperating Revenues	90,929,528.97	87,346,670.82	3,582,858.15	4.1%
Income (Loss) Before Other Revenues	1,150,493.08	(2,645,576.04)	3,796,069.12	143.5%
Capital Contributions	4,433,085.52	3,329,657.35	1,103,428.17	33.1%
Increase in Net Position	5,583,578.60	684,081.31	4,899,497.29	716.2%
NET POSITION				
Beginning of Year	4,764,067.46	4,079,986.15	684,081.31	16.8%
End of Year	$ 10,347,646.06	$ 4,764,067.46	$ 5,583,578.60	117.2%

Total revenues for FY 2019 were $115,682,440.77, an increase of 4.0 percent compared to FY 2018.

Operating revenues increased $139,303.61 or 0.7 percent from FY 2018 to FY 2019. The majority of the change is due to an increase in student tuition and fees, net of $198,214.20. The tuition rate was unchanged in FY 2019 while overall enrollment increased slightly.

Nonoperating revenues, including capital contributions, increased $4,292,638.26 or 4.7 percent from FY 2018 to FY 2019, which was the result of four main factors. First, state aid increased $2,002,608.19 or 4.2 percent as a result of enrollment growth, a revised full-time equivalent (FTE) definition, and additional state funds provided for compensation increases.

Second, county appropriations increased $563,521.00, or 5.0 percent. This increase in county funding was to provide salary increases to county funded employees and fund additional plant operation costs. Third, noncapital grants - student financial aid increased $357,708.08 or 1.4 percent due to students receiving a greater amount of Pell and Federal Supplemental Educational Opportunity Grant funds in FY 2019 than FY 2018. Lastly, capital contributions increased by $1,103,428.17 or 33.1 percent. This increase was mostly related to county donations including land with a value of $305,667.00 for the Fire and Emergency Services Center, land at the J.P. Riddle Stadium with a value of $322,258.00, and buildings at the J.P. Riddle Stadium with a value of $272,238.00.



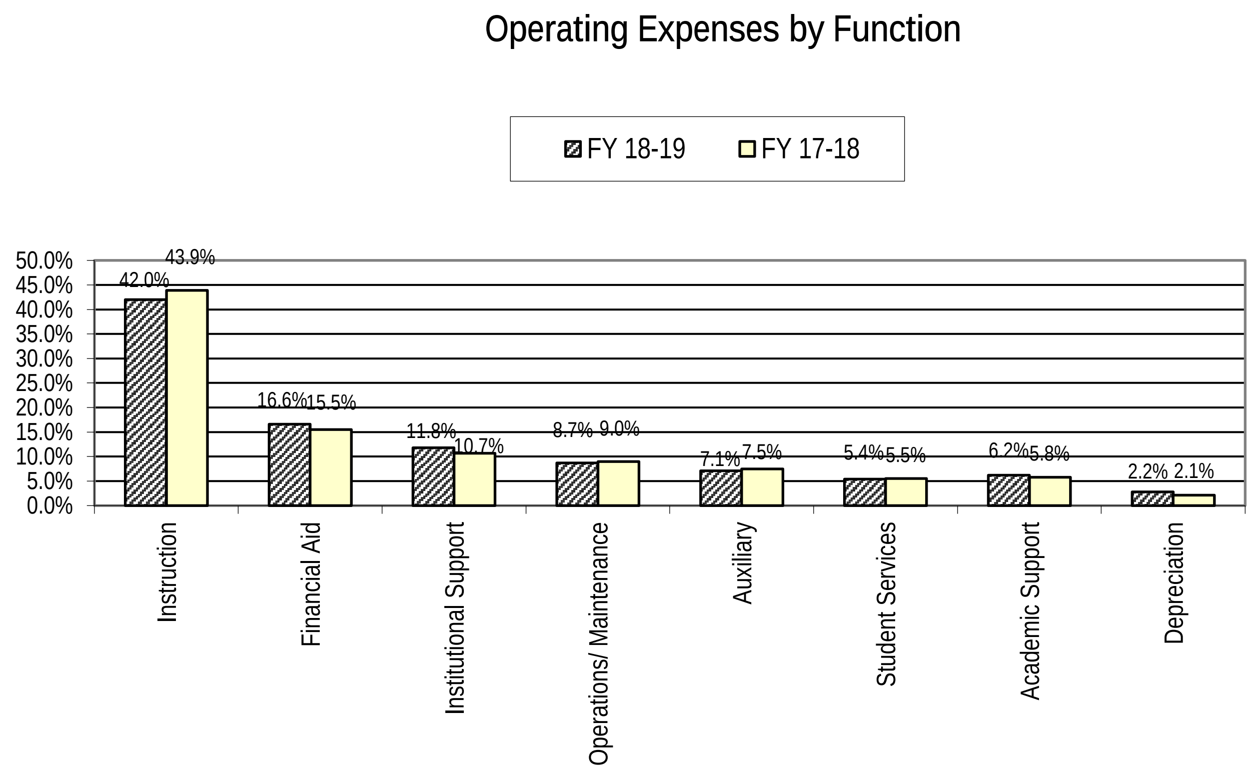
Total expenses at June 30, 2019, were $110,098,862.17; at June 30, 2018, total expenses were $110,566,417.59, resulting in a $467,555.42 or 0.4 percent decrease from FY 2018.

Salaries and benefits expense decreased $1,535,728.70, or 2.4 percent from FY 2018 to FY 2019. The College awarded a 4.0 percent salary increase to full-time employees and the College's full-time salary scale increased 2.0 percent for new hires and part-time employees. However, the College had many vacant positions during some part of FY 2019. In addition, the actuarial calculation for the OPEB liability decreased in FY 2019. The salaries and benefits account decreased $3,929,196.00 in association with the decrease in the liability.

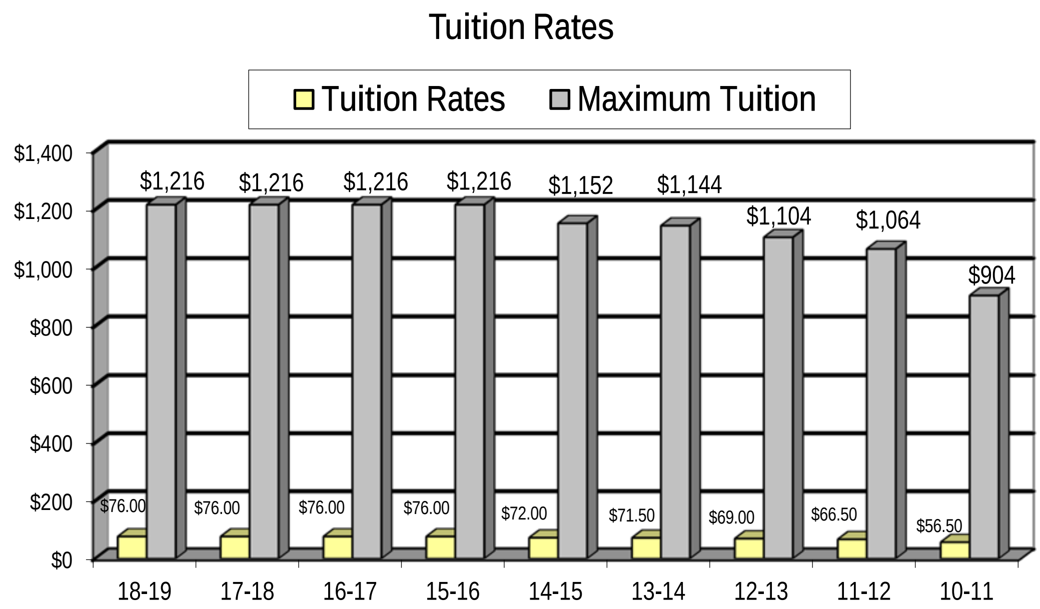
Supplies and materials expense increased $117,492.47, or 1.0 percent from FY 2018 to FY 2019. This small increase is made up from many accounts. The College purchased student success software in FY 2019 to support student learning. The cost of this software was $269,296.52.

Scholarships and fellowships expense increased $1,271,513.64, or 7.6 percent in FY 2019 compared to FY 2018. This increase is due an increase in the number of students who were eligible for Pell and other grants in FY 2019.

A comparative analysis of operating expenses by function is listed below. See Note 12 for detailed information.



In FY 2019, the state tuition rates for in-state students remained at $76.00 per credit hour for the fall and spring semesters. Over the last eight fiscal years, in-state tuition has increased 34.5 percent.



In FY 2019 compared to FY 2018, the FTEs that generate the College's state budget (budget FTEs) increased in areas of curriculum, occupational extension, and college and career readiness. Each individual category of the College's funding is based on actual FTE earned during the prior fiscal year or a two-year average, whichever is greater. In FY 2019, actual FTEs earned in FY 2018 was used by the North Carolina Community College System Office to generate FY 2019 budget in all three categories of funding.

	Budgeted 2018-2019	Budgeted 2017-2018	% Change
Curriculum	9,724	9,566	1.7%
Occupational Extension	2,964	2,072	43.1%
College and Career Readiness	879	762	15.4%
Total FTEs	13,567	12,400	9.4%

For FY 2019, the General Assembly again enacted a management flexibility reduction to the College's state aid budget. A management flexibility reduction is a budget cut that the General Assembly does not specifically prescribe how to implement; management has the flexibility to determine what budget line items to cut within certain parameters. This type of cut is also referred to as a negative reserve. This method of reducing the state budget was originally implemented for FY 2010.

The College's portion of the management flexibility reduction that reverted prior to preparation of the combined budget was $2,847,870.00. An additional budget revision of $428,631.00 was required in February 2019.

The state of the economy, reflected by unemployment rates in Cumberland and surrounding counties, typically has a direct relationship to enrollment. When unemployment decreases, the College's enrollment decreases. The last three years have been exceptions. The total overall FTE earned in all areas during FY 2019 increased by 3.0 percent, even though unemployment rates improved in Cumberland County. The College continues to work diligently to improve retention and also benefits from the opportunity to serve a large military population and their dependents. The College declined in curriculum student FTE by approximately 0.8 percent. Our largest growth came in the area of occupational extension FTE, which increased 18.0 percent. The college and career readiness area decreased 3.0 percent in FY 2019.

Significant Capital Asset Activities

The Health Technologies Center Roof Replacement project began in FY 2018 and was funded by state NC Connect bond funds. Fleming and Associates, P.A. was the architect and Triangle Roofing Services, Inc. was the general contractor. This project was completed in FY 2019 for a total cost of $292,576.00.

The Resurfacing Parking Lot #1 project was funded by county funds. Draper Aden Associates was the design/architect and Diamond Constructors, Inc. was the general contractor. This repair project was completed in FY 2019 at a total cost of $99,612.64.

The YMCA renovations project was funded from rental receipts received from the YMCA. The project consisted of repairs to the ceiling, new lockers, and cabinets. Fleming and Associates, P.A. was the architect and Ben Stout Real Estate, Inc. was the general contractor. The project was completed in FY 2019 at a total cost of $129,154.41.

The Horace Sisk Interior Hall Upgrade project was completed during FY 2019 with funding from state and county funds. The project consisted of interior hall renovations to add conformity with the prior Horace Sisk multiple renovation project. The architect was HH Architecture and M & E Contracting was the general contractor. The project was completed in FY 2019 at a total cost of $112,227.83.

The J.P. Riddle Stadium Phase 1 project was completed during FY 2019 with funding from county funds at a total cost of $103,893.83. The project consisted of surveying, engineering services, and drainage improvements to the baseball field. The architect was Gradient, PLLC and the contractor was Landart Solutions, LLC.

The Regional Cooling Towers project involves repairing the central mechanical building cooling towers. The budget for this project is $390,450.00 and is being funded with county funds. Stanford White, Inc. was awarded the engineering services contract and Bass Air Conditioning Company is the general contractor. Cost of $243,794.50 had been incurred as of June 30, 2019. This project will be completed during FY 2020.

The Fire and Emergency Services Center project has a budget of $20,000,000.00. Funding for this project will include $10,000,000.00 from Cumberland County, $7,036,639.75 from Connect NC Bonds, and $2,963,360.25 from institutional self-support funds. The project will include a 23,000 square foot administration building, which will house classrooms, labs, offices, conference room, storage, restroom/locker facilities, staging area, and apparatus bays. An additional 6,000 square foot of miscellaneous facilities include an outdoor storage building, two outdoor restroom buildings, and three burn buildings. HH Architecture, PA has been contracted to provide advance planning to include sustainable energy programming for the project. The land for the Fire and Emergency Services Center was donated to the College by Cumberland County. The projected completion date is FY 2022.

The Connect NC Bond was approved by voters on March 15, 2016. The College is authorized $10,668,066.00 in bond funds for repair and renovations, purchase of facilities, and/or new construction. There is no match required for repair and renovations but there is a required match of local funds for new construction. The College has met the match requirement for the bond funds. The College will utilize $7,036,639.75 to complete the Fire and Emergency Services Center project. The remaining funds have been earmarked for a property acquisition that is still in the approval phase.

Economic Forecast

The College has not received a budget from the state for FY 2020 due to the budget stalemate at the state level. However, the College has been instructed to operate under the prior year budget, excluding non-reoccurring items until a new budget is passed for FY 2020.

The College's enrollment for fall 2019 appears to be up slightly. The College continues to be strategic in its preparation of the annual budget and has been able to add some needed faculty and staff to support increased enrollments. The College continues to be successful in managing the budget with allocated resources and providing quality instruction and services to students and the community.

FINANCIAL STATEMENTS

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	24,534,168.07
Restricted Cash and Cash Equivalents		1,367,463.20
Receivables, Net (Note 5)		1,722,178.60
Due from Primary Government		2,916.39
Inventories		1,134,600.46
Prepaid Items		1,426,949.95
Notes Receivable, Net (Note 5)		2,240.63
Total Current Assets		30,190,517.30
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		1,999,291.47
Restricted Due from County		120,521.74
Restricted Due from Primary Government		10,712.00
Net Other Postemployment Benefits Asset		67,492.00
Capital Assets - Nondepreciable (Note 6)		8,751,897.85
Capital Assets - Depreciable, Net (Note 6)		77,447,352.25
Total Noncurrent Assets		88,397,267.31
Total Assets		118,587,784.61
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		14,922,048.43
Deferred Outflows Related to Other Postemployment Benefits (Note 14)		5,762,741.41
Total Deferred Outflows of Resources		20,684,789.84
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 7)		1,497,427.62
Unearned Revenue		1,831,315.55
Funds Held for Others		99,812.03
Long-Term Liabilities - Current Portion (Note 8)		315,296.91
Total Current Liabilities		3,743,852.11
Noncurrent Liabilities:		
Long-Term Liabilities, Net (Note 8)		89,780,499.28
Total Liabilities		93,524,351.39
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		253,976.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)		35,146,601.00
Total Deferred Inflows of Resources		35,400,577.00

NET POSITION		
Investment in Capital Assets		86,199,250.10
Restricted for:		
Nonexpendable:		
Endowment		39,050.00
Expendable:		
Scholarships and Fellowships		31,411.24
Loans		260,552.42
Capital Projects		2,035,905.25
Departmental Uses		632,218.51
Other		179,868.58
Unrestricted		(79,030,610.04)
Total Net Position	$	10,347,646.06

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

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

Exhibit A-2

OPERATING REVENUES		
Student Tuition and Fees, Net (Note 11)	$	15,638,383.90
State and Local Grants and Contracts		26,757.36
Sales and Services, Net (Note 11)		4,295,844.51
Other Operating Revenues		162,581.22
Total Operating Revenues		20,123,566.99
OPERATING EXPENSES		
Salaries and Benefits		63,054,495.36
Supplies and Materials		12,106,833.35
Services		12,060,379.92
Scholarships and Fellowships		18,033,459.64
Utilities		2,253,301.66
Depreciation		2,394,132.95
Total Operating Expenses		109,902,602.88
Operating Loss		(89,779,035.89)
NONOPERATING REVENUES (EXPENSES)		
State Aid		50,230,894.71
County Appropriations		11,735,900.00
Noncapital Grants - Student Financial Aid		25,597,461.31
Noncapital Grants		3,153,007.45
Noncapital Gifts		19,182.00
Investment Income		389,342.79
Other Nonoperating Expenses		(196,259.29)
Net Nonoperating Revenues		90,929,528.97
Income Before Other Revenues		1,150,493.08
State Capital Aid		3,120,417.07
County Capital Aid		412,505.45
Capital Gifts		900,163.00
Increase in Net Position		5,583,578.60
NET POSITION		
Net Position - July 1, 2018		4,764,067.46
Net Position - June 30, 2019	$	10,347,646.06

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

Fayetteville Technical Community College
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2019 — *Page 1 of 2*

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	20,509,528.90
Payments to Employees and Fringe Benefits		(65,719,739.86)
Payments to Vendors and Suppliers		(26,266,428.82)
Payments for Scholarships and Fellowships		(18,086,613.64)
Loans Issued to Students		(8,298.22)
Collection of Loans to Students		6,532.04
Other Receipts		52,153.51
Net Cash Used by Operating Activities		(89,512,866.09)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid		50,230,894.71
County Appropriations		11,735,900.00
Noncapital Grants - Student Financial Aid		25,591,891.90
Noncapital Grants		3,234,617.41
Noncapital Gifts		19,182.00
William D. Ford Direct Lending Receipts		19,249,564.00
William D. Ford Direct Lending Disbursements		(19,249,564.00)
Net Cash Provided by Noncapital Financing Activities		90,812,486.02
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES		
State Capital Aid		3,203,877.81
County Capital Aid		127,799.76
Proceeds from Sale of Capital Assets		27,414.48
Acquisition and Construction of Capital Assets		(2,538,550.75)
Net Cash Provided by Capital Financing and Related Financing Activities		820,541.30
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		389,342.79
Net Increase in Cash and Cash Equivalents		2,509,504.02
Cash and Cash Equivalents - July 1, 2018		25,391,418.72
Cash and Cash Equivalents - June 30, 2019	$	27,900,922.74

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (89,779,035.89)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	2,394,132.95
Allowances and Write-Offs	941.13
Other Nonoperating Income	24,916.95
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	310.11
Inventories	(452,622.18)
Prepaid Items	289,378.22
Notes Receivable, Net	(1,766.18)
Net Other Postemployment Benefits Asset	69,453.00
Deferred Outflows Related to Pensions	(3,587,792.15)
Deferred Outflows Related to Other Postemployment Benefits	(3,175,061.35)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	303,538.78
Unearned Revenue	332,497.80
Funds Held for Others	27,236.56
Net Pension Liability	4,991,247.00
Net Other Postemployment Benefits Liability	(6,993,582.00)
Compensated Absences	263,204.16
Deferred Inflows Related to Pensions	(410,671.00)
Deferred Inflows Related to Other Postemployment Benefits	6,190,808.00
Net Cash Used by Operating Activities	$ (89,512,866.09)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through a Gift	$ 900,163.00
Loss on Disposal of Capital Assets	(221,176.24)
Increase in Receivables Related to Nonoperating Income	308,248.83

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. Fayetteville Technical Community College (College) is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds for which the College's Board of Trustees is financially accountable. Related foundations and similar nonprofit corporations for which the College is not financially accountable or for which the nature of their relationship is not considered significant to the College are not part of the accompanying financial statements.

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 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, and merchandise for resale are valued at the lower of cost or market using the first-in, first-out method. Inventories located at the central supply store and print shop are valued at cost using the last invoice cost method.

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

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	40-75 years
Machinery and Equipment	5-45 years
General Infrastructure	40-80 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, resources whose use is limited by external parties or statute, and endowment and other restricted deposits.

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 2018 *Comprehensive Annual Financial Report.* This liability represents the

College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 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 2018 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 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 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next fiscal 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 whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 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 and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

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

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

O. Internal Sales Activities - The College bookstore provides goods and services to College departments, as well as to its customers. All internal sales activities to College departments from bookstore operations have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the 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

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 $16,800.00, and deposits in private financial institutions with a carrying value of $7,975,758.24 and a bank balance of $8,842,052.07.

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

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

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, 2019, the amount shown on the Statement of Net Position as cash and cash equivalents includes $19,908,364.50, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2019. 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.

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the College's investments are recorded at fair value as of June 30, 2019. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

Short-Term Investment Fund - At year-end, all of the College's investments valued at $19,908,364.50 were held in the STIF. Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The College's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

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, 2019, net appreciation of $751.54 was available to be spent, all of which was classified in net position as restricted, expendable for scholarships and fellowships.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2019, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Receivables:			
Students	$ 1,258,527.93	$ 720,619.33	$ 537,908.60
Student Sponsors	617,045.22		617,045.22
Accounts	306,750.06		306,750.06
Intergovernmental	21,221.20		21,221.20
Other	239,253.52		239,253.52
Total Receivables	$ 2,442,797.93	$ 720,619.33	$ 1,722,178.60
Notes Receivable:			
Institutional Student Loan Programs	$ 8,627.23	$ 6,386.60	$ 2,240.63

NOTE 6 - CAPITAL ASSETS

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets, Nondepreciable:				
Land	$ 8,097,422.85	$ 627,925.00	$ 0.00	$ 8,725,347.85
Construction in Progress		26,550.00		26,550.00
Total Capital Assets, Nondepreciable	8,097,422.85	654,475.00		8,751,897.85
Capital Assets, Depreciable:				
Buildings	85,932,332.98	272,238.00		86,204,570.98
Machinery and Equipment	22,859,875.74	2,512,000.75	626,243.46	24,745,633.03
General Infrastructure	1,619,600.50			1,619,600.50
Total Capital Assets, Depreciable	110,411,809.22	2,784,238.75	626,243.46	112,569,804.51
Less Accumulated Depreciation for:				
Buildings	25,149,769.93	1,242,848.61		26,392,618.54
Machinery and Equipment	7,318,801.88	1,130,388.86	377,652.74	8,071,538.00
General Infrastructure	637,400.24	20,895.48		658,295.72
Total Accumulated Depreciation	33,105,972.05	2,394,132.95	377,652.74	35,122,452.26
Total Capital Assets, Depreciable, Net	77,305,837.17	390,105.80	248,590.72	77,447,352.25
Capital Assets, Net	$ 85,403,260.02	$ 1,044,580.80	$ 248,590.72	$ 86,199,250.10

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 647,281.62
Accrued Payroll	487,062.97
Other	363,083.03
Total Accounts Payable and Accrued Liabilities	$ 1,497,427.62

NOTE 8 - LONG-TERM LIABILITIES

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

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Compensated Absences	$ 2,253,322.03	$ 2,178,697.60	$ 1,915,493.44	$ 2,516,526.19	$ 315,296.91
Net Pension Liability	20,316,136.00	4,991,247.00		25,307,383.00	
Net Other Postemployment Benefits Liability	69,265,469.00		6,993,582.00	62,271,887.00	
Total Long-Term Liabilities	$ 91,834,927.03	$ 7,169,944.60	$ 8,909,075.44	$ 90,095,796.19	$ 315,296.91

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 LEASES

The College entered into cancelable operating leases. Rental expense for all operating leases during the year was $259,660.73.

NOTE 10 - NET POSITION

The deficit in unrestricted net position of $79,030,610.04 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	$ 14,922,048.43	$ 0.00	$ 14,922,048.43
Deferred Outflows Related to OPEB		5,509,815.00	5,509,815.00
Noncurrent Liabilities:			
Long-Term Liabilities:			
Net Pension Liability	25,307,383.00		25,307,383.00
Net OPEB Liability		62,271,887.00	62,271,887.00
Deferred Inflows Related to Pensions	253,976.00		253,976.00
Deferred Inflows Related to OPEB		35,146,601.00	35,146,601.00
Net Effect on Unrestricted Net Position	$ (10,639,310.57)	$ (91,908,673.00)	$ (102,547,983.57)

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 discounts and allowances by revenue classification is presented as follows:

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	$ 24,359,665.36	$ 8,687,768.27	$ 33,513.19	$ 15,638,383.90
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	$ 6,099,608.31	$ 3,462,572.73	$ 4,680.22	$ 2,632,355.36
Vending/Cafeteria	138,428.80			138,428.80
Early Childhood Education Center	1,431,360.74			1,431,360.74
Athletic	4,949.10			4,949.10
Other	607.00			607.00
Sales and Services of Education and Related Activities	88,143.51			88,143.51
Total Sales and Services, Net	$ 7,763,097.46	$ 3,462,572.73	$ 4,680.22	$ 4,295,844.51

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	$ 38,849,017.99	$ 3,247,248.14	$ 4,163,183.32	$ 0.00	$ 0.00	$ 0.00	$ 46,259,449.45
Academic Support	5,083,477.64	670,718.87	1,023,298.21				6,777,494.72
Student Services	5,333,902.89	188,728.49	359,686.36				5,882,317.74
Institutional Support	7,755,817.98	1,416,297.93	3,806,794.35				12,978,910.26
Operations and Maintenance of Plant	3,680,915.17	1,490,738.71	2,163,232.34		2,253,301.66		9,588,187.88
Student Financial Aid	182,481.33			18,033,459.64			18,215,940.97
Auxiliary Enterprises	2,168,882.36	5,093,101.21	544,185.34				7,806,168.91
Depreciation						2,394,132.95	2,394,132.95
Total Operating Expenses	$ 63,054,495.36	$ 12,106,833.35	$ 12,060,379.92	$ 18,033,459.64	$ 2,253,301.66	$ 2,394,132.95	$ 109,902,602.88

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, 2019 was 12.29% of covered payroll. Employee contributions to the pension plan were $2,502,945.72, and the College's contributions were $5,126,867.15 for the year ended June 30, 2019.

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

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

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

Net Pension Liability: At June 30, 2019, the College reported a liability of $25,307,383.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total pension liability to June 30, 2018. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2018, the College's proportion was 0.25419%, which was a decrease of 0.00186 from its proportion measured as of June 30, 2017, which was 0.25605%.

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

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

* Salary increases include 3.5% inflation and productivity factor.
** Investment rate of return includes inflation assumption and is net of pension plan investment expense.

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

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

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

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

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

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

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

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

Net Pension Liability		
1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$ 48,265,467.56	$ 25,307,383.00	$ 6,043,275.74

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2019, the College recognized pension expense of $6,115,598.00. At June 30, 2019, 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	$ 1,846,950.00	$ 253,976.00
Changes of Assumptions	5,078,541.00	
Net Difference Between Projected and Actual Earnings on Plan Investments	2,411,798.28	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	457,892.00	
Contributions Subsequent to the Measurement Date	5,126,867.15	
Total	$ 14,922,048.43	$ 253,976.00

The amount of $5,126,867.15 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

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

Year Ended June 30:	Amount
2020	$ 5,592,390.00
2021	3,516,597.00
2022	476,503.00
2023	(44,284.72)
Total	$ 9,541,205.28

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 2018 *Comprehensive Annual Financial Report.* An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.osc.gov/ or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

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

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

B. Plan Descriptions

1. Health Benefits

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

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

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

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 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 Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina

General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium.

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

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The College's contractually-required contribution rate for the year ended June 30, 2019 was 6.27% of covered payroll. The College's contributions to the RHBF were $2,615,578.28 for the year ended June 30, 2019.

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 ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

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

and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of $3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than $10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the ORP.

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

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The College's contractually-required contribution rate for the year ended
June 30, 2019 was 0.14% of covered payroll. The College's contributions to DIPNC were $58,402.07 for the year ended June 30, 2019.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2019, the College reported a liability of $62,271,887.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total OPEB liability to June 30, 2018. The College's proportion of the net OPEB liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2018, the College's proportion was 0.21859%, which was an increase of 0.00733 from its proportion measured as of June 30, 2017, which was 0.21126%.

Net OPEB Asset: At June 30, 2019, the College reported an asset of $67,492.00 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2018. The total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017, and update procedures were used to roll forward the total OPEB asset to June 30, 2018. The College's proportion of the net OPEB asset was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2018, the College's proportion was 0.22219%, which was a decrease of 0.00187 from its proportion measured as of June 30, 2017, which was 0.22406%.

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

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

* Salary increases include 3.5% inflation and productivity factor.
** Investment rate of return is net of pension plan investment expense, including inflation.
N/A - Not Applicable

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

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2018.

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

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

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

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

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

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

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

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

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

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

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

	Net OPEB Liability (Asset)		
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
RHBF	$ 73,575,380.79	$ 62,271,887.00	$ 53,211,713.44
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	$ 51,714.72	$ 67,492.00	$ 82,628.02

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 - 4.00%, Administrative - 2.00%)	Current Healthcare Cost Trend Rates (Medical - 5.00% - 6.50%, Pharmacy - 5.00% - 7.25%, Med. Advantage - 5.00%, Administrative - 3.00%)	1% Increase (Medical - 6.00% - 7.50%, Pharmacy - 6.00% - 8.25%, Med. Advantage - 6.00%, Administrative - 4.00%)
RHBF Net OPEB Liability	$ 51,373,045.85	$ 62,271,887.00	$ 76,580,940.83
	1% Decrease (5.50% grading down to 4.00% in 2024)	Current Healthcare Cost Trend Rates (6.50% grading down to 5.00% in 2024)	1% Increase (7.50% grading down to 6.00% in 2024)
DIPNC Net OPEB Asset	$ 67,687.96	$ 67,492.00	$ 67,308.02

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2019, the College recognized OPEB contra-expense of $1,242,497.00 for RHBF and expense of $8,094.00 for DIPNC. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 0.00	$ 117,734.00	$ 117,734.00
Changes of Assumptions		12,745.00	12,745.00
Net Difference Between Projected and Actual Earnings on Plan Investments	6,696.72	52,563.34	59,260.06
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	2,887,540.00	11,482.00	2,899,022.00
Contributions Subsequent to the Measurement Date	2,615,578.28	58,402.07	2,673,980.35
Total	$ 5,509,815.00	$ 252,926.41	$ 5,762,741.41

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 4,258,426.00	$ 0.00	$ 4,258,426.00
Changes of Assumptions	26,977,619.00		26,977,619.00
Net Difference Between Projected and Actual Earnings on Plan Investments			
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	3,910,556.00		3,910,556.00
Total	$ 35,146,601.00	$ 0.00	$ 35,146,601.00

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

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

Year Ended June 30:	RHBF	DIPNC
2020	$ (7,642,358.00)	$ 48,896.00
2021	(7,642,358.00)	48,889.00
2022	(7,642,358.00)	33,542.00
2023	(7,635,699.00)	26,109.00
2024	(1,689,591.28)	18,546.00
Thereafter		18,542.34
Total	$ (32,252,364.28)	$ 194,524.34

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 $10,000,000 deductible per occurrence. Reinsurance is purchased by the Fund to cover catastrophic events in excess of the $10,000,000 deductible. Membership insured property is covered under an all risk coverage contract. Building and contents are valued under a replacement cost basis. No coinsurance penalties apply. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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 $2,000,000 per claim and $10,000,000 in the aggregate per fiscal year via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

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

4. Statewide Workers' Compensation Program

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

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

NOTE 16 - COMMITMENTS AND CONTINGENCIES

A. Commitments - The College has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were $129,805.50 June 30, 2019.

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

NOTE 17 - OPERATING LEASE REVENUE

Future minimum lease revenue under noncancelable operating leases related to wireless broadband services are recorded when earned. These minimum future lease revenues consist of the following at June 30, 2019:

Fiscal Year	Amount
2020	$ 22,578.96
2021	22,578.96
2022	22,578.96
2023	22,578.96
2024	22,578.96
2025-2029	112,894.80
2030-2034	112,894.80
2035-2036	45,157.92
Total Minimum Lease Revenues	$ 383,842.32

Rental revenue for all operating leases during the year was $22,578.96.

NOTE 18 - RELATED PARTIES

The Fayetteville Technical Community College Foundation, Inc. is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net position, or operational transactions of the Foundation, except for support from the Foundation. This support approximated $171,342.00 for the year ended June 30, 2019.

Formed as a corporation on April 23, 2010, the FTCC Innovation Center is a separately incorporated nonprofit corporation associated with the College. This corporation is organized to support Fayetteville Technical Community College and thereby advance education and science. There were no significant transactions between the FTCC Innovation Center and the College for the year ended June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit B-1

Teachers' and State Employees' Retirement System	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net Pension Liability	0.25419%	0.25605%	0.25572%
Proportionate Share of TSERS Collective Net Pension Liability	$ 25,307,383.00	$ 20,316,136.00	$ 23,503,310.00
Covered Payroll	$ 40,570,453.33	$ 39,150,499.40	$ 38,074,711.35
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	62.38%	51.89%	61.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%	89.51%	87.32%

	2016	**2015**	**2014**
Proportionate Share Percentage of Collective Net Pension Liability	0.25182%	0.25193%	0.25300%
Proportionate Share of TSERS Collective Net Pension Liability	$ 9,280,066.00	$ 2,953,680.00	$ 15,359,678.00
Covered Payroll	$ 38,225,230.28	$ 37,886,681.53	$ 37,159,255.40
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	24.28%	7.80%	41.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%

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

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

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

Exhibit B-2

Teachers' and State Employees' Retirement System	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually Required Contribution	$ 5,126,867.15	$ 4,373,494.87	$ 3,907,219.84	$ 3,483,836.09	$ 3,497,608.57
Contributions in Relation to the Contractually Determined Contribution	5,126,867.15	4,373,494.87	3,907,219.84	3,483,836.09	3,497,608.57
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 41,715,761.99	$ 40,570,453.33	$ 39,150,499.40	$ 38,074,711.35	$ 38,225,230.28
Contributions as a Percentage of Covered Payroll	12.29%	10.78%	9.98%	9.15%	9.15%

	2014	**2013**	**2012**	**2011**	**2010**
Contractually Required Contribution	$ 3,292,352.62	$ 3,095,365.97	$ 2,645,297.97	$ 1,745,903.59	$ 1,244,272.02
Contributions in Relation to the Contractually Determined Contribution	3,292,352.62	3,095,365.97	2,645,297.97	1,745,903.59	1,244,272.02
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 37,886,681.53	$ 37,159,255.40	$ 35,555,080.22	$ 35,413,865.92	$ 34,853,557.88
Contributions as a Percentage of Covered Payroll	8.69%	8.33%	7.44%	4.93%	3.57%

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

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

Changes of Benefit Terms:

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

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

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

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

N/A - Not Applicable

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

Exhibit B-3

Retiree Health Benefit Fund	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability	0.21859%	0.21126%	0.22536%
Proportionate Share of Collective Net OPEB Liability	$ 62,271,887.00	$ 69,265,469.00	$ 98,039,260.00
Covered Payroll	$ 40,570,453.33	$ 39,150,499.40	$ 38,074,711.35
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	153.49%	176.92%	257.49%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina			
Proportionate Share Percentage of Collective Net OPEB Asset	0.22219%	0.22406%	0.22585%
Proportionate Share of Collective Net OPEB Asset	$ 67,492.00	$ 136,945.00	$ 140,253.00
Covered Payroll	$ 40,570,453.33	$ 39,150,499.40	$ 38,074,711.35
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.17%	0.35%	0.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	108.47%	116.23%	116.06%

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

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

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

Exhibit B-4

Retiree Health Benefit Fund	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually Required Contribution	$ 2,615,578.28	$ 2,454,512.43	$ 2,274,644.02	$ 2,132,183.84	$ 2,098,565.14
Contributions in Relation to the Contractually Determined Contribution	2,615,578.28	2,454,512.43	2,274,644.02	2,132,183.84	2,098,565.14
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 41,715,761.99	$ 40,570,453.33	$ 39,150,499.40	$ 38,074,711.35	$ 38,225,230.28
Contributions as a Percentage of Covered Payroll	6.27%	6.05%	5.81%	5.60%	5.49%

	2014	**2013**	**2012**	**2011**	**2010**
Contractually Required Contribution	$ 2,045,880.80	$ 1,969,440.53	$ 1,777,754.01	$ 1,735,279.43	$ 1,568,410.10
Contributions in Relation to the Contractually Determined Contribution	2,045,880.80	1,969,440.53	1,777,754.01	1,735,279.43	1,568,410.10
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 37,886,681.53	$ 37,159,255.40	$ 35,555,080.22	$ 35,413,865.92	$ 34,853,557.88
Contributions as a Percentage of Covered Payroll	5.40%	5.30%	5.00%	4.90%	4.50%

Disability Income Plan of North Carolina	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually Required Contribution	$ 58,402.07	$ 56,798.63	$ 148,771.90	$ 156,106.32	$ 156,723.44
Contributions in Relation to the Contractually Determined Contribution	58,402.07	56,798.63	148,771.90	156,106.32	156,723.44
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 41,715,761.99	$ 40,570,453.33	$ 39,150,499.40	$ 38,074,711.35	$ 38,225,230.28
Contributions as a Percentage of Covered Payroll	0.14%	0.14%	0.38%	0.41%	0.41%

	2014	**2013**	**2012**	**2011**	**2010**
Contractually Required Contribution	$ 166,701.40	$ 163,500.72	$ 184,886.42	$ 184,152.10	$ 181,238.50
Contributions in Relation to the Contractually Determined Contribution	166,701.40	163,500.72	184,886.42	184,152.10	181,238.50
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 37,886,681.53	$ 37,159,255.40	$ 35,555,080.22	$ 35,413,865.92	$ 34,853,557.88
Contributions as a Percentage of Covered Payroll	0.44%	0.44%	0.52%	0.52%	0.52%

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

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

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

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months following the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of College Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the Disability Income Plan of North Carolina (DIPNC). See Note 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 RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement and rates of termination from active employment were reduced to more closely reflect actual experience.

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

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

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

INDEPENDENT AUDITOR'S REPORT

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
Fax: (919) 807-7647
https://www.auditor.nc.gov

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
Fayetteville Technical Community College
Fayetteville, 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 Fayetteville Technical Community College (College), a component unit of the State of North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 15, 2020.

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 opinion 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

January 15, 2020

ORDERING INFORMATION

COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0600

Telephone: 919-807-7500
Facsimile: 919-807-7647
Internet: https://www.auditor.nc.gov

To report alleged incidents of fraud, waste or abuse in state government contact the Office of the State Auditor Fraud Hotline: **1-800-730-8477** or download our free app.

https://play.google.com/store/apps/details?id=net.ncstateauditor.ncauditor&hl=en_US

https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745

For additional information, contact the
North Carolina Office of the State Auditor at 919-807-7666.

This audit required 375 hours at an approximate cost of $39,000.