State of North Carolina

Office of The State Auditor

Beth A. Wood, CPA

Halifax Community College

Weldon, 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

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Raleigh, NC 27699-0600
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AUDITOR'S TRANSMITTAL

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

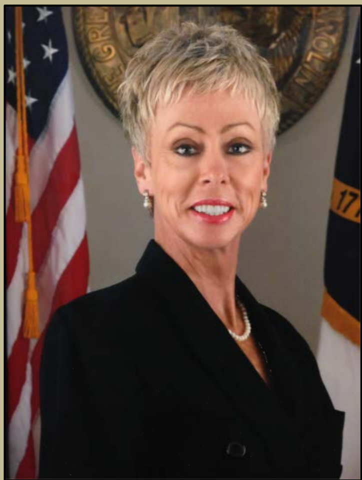
We have completed a financial statement audit of Halifax Community College for the year ended June 30, 2019, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Halifax Community College
Weldon, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Halifax 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 Halifax 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 8, 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 8, 2020

Management's Discussion and Analysis

The information in this section is intended to provide a general overview of the College's financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information. Responsibility for the completeness and fairness of this information rests with the College.

Overview of the Financial Statements

Halifax Community College's discussion and analysis provides a summary of the College's basic financial statements which include the Statement of Net Position; Statement of Revenues, Expenses, and Change in Net Position; and Statement of Cash Flows. Halifax Community College Foundation, Inc., is blended into the financial statements for Halifax Community College. The Halifax Community College Foundation, Inc., total net position was $1,609,236.59 at June 30, 2019.

The Statement of Net Position presents information on all of the College's assets, liabilities, and deferred inflows and deferred outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position serve as useful indicators of the financial condition of the College.

The Statement of Revenues, Expenses and Changes in Net Position shows how the College's net position changed during the most recent fiscal year. Revenues and expenses are presented in a format that distinguishes between operating and nonoperating revenues and expenses.

The Statement of Cash Flows provides information regarding the College's cash receipts and cash payments during the reported period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. The statement reconciles the beginning cash on hand as of July 1, 2018, to the ending cash on hand as of June 30, 2019.

The Notes to Financial Statements provide additional information that is essential to a complete understanding of the data provided.

Institutional Financial Analysis

As noted earlier, net position can serve as a useful indicator of the College's financial condition. Net position for Halifax Community College increased by $898,151.82 for the fiscal year ended June 30, 2019, to ($4,342,800.81). Net position is significantly affected by the reporting of net pension and other net postemployment benefit liabilities. For more information see Note 10 of the Notes to the Financial Statements.

Current assets increased by $694,112.84 or 60.83%. A significant portion of this increase was due to the award of a new Golden Leaf grant in the amount of $582,000.00 to operate community education centers in the College's service area.

Capital Assets decreased by $262,360.60 or 2.18%, due to depreciation of $529,391.52 which was offset by increases of $192,720.00 for construction in progress on the Advanced Manufacturing and Corporate Training Center. For more information see Note 6 of the Notes to the Financial Statements.

Current liabilities increased by $214,890.65 or 67.55%. This increase is due to payables owed for construction in progress at fiscal year-end 2018-2019. Long-term liabilities decreased $1,066,547.55 or 6.46%. This decrease is due to changes in the actuarial assumptions related to the net other postemployment benefits (OPEB) liability. See Note 14 of the Notes to the Financial Statements for further details.

Deferred outflows of resources related to pensions for the College were $2,454,454.00 at June 30, 2019. This was an increase from 2017-2018 of $835,775.00 due to a change in actuarial assumptions by the pension plan trustees. Approximately $831,135.00 of this deferred outflow will reduce the net pension liability for the year ended June 30, 2020. The College also recorded deferred inflows of resources related to pensions in the amount of $198,312.00. This amount represents the net amount of the College's pension deferrals that will decrease pension expense in fiscal years 2020 to 2023. Deferred outflows of resources related to OPEB for the College were $469,565.00 ($425,168.00 from RHBF and $44,397.00 from DIPNC) at June 30, 2019. This was an increase from the 2017-2018 of $37,793.00 due to a change in actuarial assumptions. Deferred outflows have reduced the net OPEB liability by $433,489.00 for the year ended June 30, 2020. The College also recorded deferred inflows of resources related to OPEB in the amount of $6,318,875.00. This amount represents the net amount of the College's OPEB deferrals that will decrease pension expense in fiscal years 2020 to 2024. For more information about the College's deferred outflows and inflows of resources related to pensions and OPEB, refer to Note 13 and 14 of the Notes to the Financial Statements.

Most of the College's net position is net investment in capital assets (i.e. land, construction in progress, buildings, machinery and equipment, and general infrastructure) which decreased by $409,750.60. This decrease was discussed in the capital assets section above. Restricted net position increased by $886,635.03 or 57.29% and is primarily due to the Golden Leaf grant discussed above. The deficit amount of $18,422,757.81 in unrestricted net position at June 30, 2019 is largely due to the reporting of the net pension liability and the net other postemployment benefits liability and related deferred inflows. For information see Note 10 of the Notes to the Financial Statements.

Condensed Statement of Net Position

	2019	2018	Increase (Decrease)	Percent Change
Assets				
Current	$ 1,835,123.45	$ 1,141,010.61	$ 694,112.84	60.83%
Capital Assets, Net	11,793,099.42	12,055,460.02	(262,360.60)	-2.18%
Other Noncurrent	1,587,767.14	1,502,595.46	85,171.68	5.67%
Total Assets	15,215,990.01	14,699,066.09	516,923.92	3.52%
Deferred Outflows of Resources	2,924,019.00	2,405,574.00	518,445.00	21.55%
Liabilities				
Current Liabilities	533,005.80	318,115.15	214,890.65	67.55%
Noncurrent Long-Term Liabilities	15,432,617.02	16,499,164.57	(1,066,547.55)	-6.46%
Total Liabilities	15,965,622.82	16,817,279.72	(851,656.90)	-5.06%
Deferred Inflows of Resources	6,517,187.00	5,528,313.00	988,874.00	17.89%
Net Position				
Net Investment in Capital Assets	11,645,709.42	12,055,460.02	(409,750.60)	-3.40%
Restricted	2,434,247.58	1,547,612.55	886,635.03	57.29%
Unrestricted	(18,422,757.81)	(18,844,025.20)	(421,267.39)	-2.24%
Total Net Position	$ (4,342,800.81)	$ (5,240,952.63)	$ (898,151.82)	-17.14%

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the College's net position changed during the most recent fiscal year. Revenues and expenses are presented in a format that distinguishes between operating and nonoperating revenues and expenses.

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

	2019	2018	Increase (Decrease)	Percent Change
Operating Revenues:				
Student Tuition and Fees, Net	$ 547,891.72	$ 547,244.52	$ 647.20	0.12%
Sales and Services	271,776.88	269,921.51	1,855.37	0.69%
Other Operating Revenues	16,481.76	12,850.10	3,631.66	28.26%
Total Operating Revenues	836,150.36	830,016.13	6,134.23	0.74%
Operating Expenses:				
Salaries and Benefits	9,652,448.92	10,454,202.66	(801,753.74)	-7.67%
Supplies and Materials	924,658.78	554,692.48	369,966.30	66.70%
Services	1,828,252.81	1,653,842.84	174,409.97	10.55%
Scholarships and Fellowships	1,267,473.22	1,157,417.60	110,055.62	9.51%
Utilities	395,582.59	324,179.20	71,403.39	22.03%
Depreciation	529,391.52	541,143.32	(11,751.80)	-2.17%
Total Operating Expenses	14,597,807.84	14,685,478.10	(87,670.26)	-0.60%
Operating Loss	(13,761,657.48)	(13,855,461.97)	(93,804.49)	-0.68%
Nonoperating Revenues:				
State Aid	7,766,270.10	7,969,252.03	(202,981.93)	-2.55%
County Appropriations	1,331,189.98	1,334,378.00	(3,188.02)	-0.24%
Noncapital Grants & Gifts	4,515,610.68	3,810,522.92	705,087.76	18.50%
Investment Income	61,920.80	65,271.27	(3,350.47)	-5.13%
Other Nonoperating Revenue	48,255.75	11,445.60	36,810.15	321.61%
Nonoperating Revenues	13,723,247.31	13,190,869.82	532,377.49	4.04%
Loss Before Other Revenues	(38,410.17)	(664,592.15)	(626,181.98)	-94.22%
Other Revenues	936,561.99	235,185.82	701,376.17	298.22%
Increase (Decrease) in Net Position	898,151.82	(429,406.33)	1,327,558.15	-309.16%
Net Position, July 1	(5,240,952.63)	(4,811,546.30)	(429,406.33)	8.92%
Net Position, June 30	$ (4,342,800.81)	$ (5,240,952.63)	$ 898,151.82	-17.14%

Total revenues increased by $1,239,887.89 or 8.70% from $14,256,071.77 in the prior year to $15,495,959.66 in fiscal year 2018-2019. Total expenses decreased by $87,670.26, or 0.60%, from $14,685,478.10 in 2017-2018 to $14,597,807.84 in 2018-2019.

Total operating expenses for fiscal year 2019 decreased by $87,670.26 or 0.60%. Salaries and benefits decreased by $801,753.74 or 7.67% due to decreased funding for staff positions due to enrollment declines in previous years. Supplies and materials increased by $369,966.30 or 66.70% as a result of repair and renovation projects. Services increased $174,409.97 or 10.55% because of the expenses associated with the Golden Leaf grant to operate community education service centers. Scholarships and fellowships increased by $110,055.62 or 9.51% primarily due to increased number of students qualifying for Pell grants.

Total nonoperating revenues increased by $532,377.49 or 4.04% when compared to fiscal year 2017-2018. State funds are appropriated by the N.C General Assembly and distributed to the colleges by the North Carolina State Board of Community Colleges based on full-time equivalences (FTE) earned in the prior academic year. State Aid decreased by $202,981.93 or 2.55% as a result of reduced FTE. Noncapital grants and gifts increased by $705,087.76 or 18.5% due to a $582,000 Golden Leaf grant for community learning centers.

Other revenues increased $701,376.17 or 298.22% primarily due to the College receiving $317,829 of Connect NC Bonds and $371,688.02 in County Capital funds for repairs, renovations, and the construction of the Advanced Manufacturing and Corporate Training Center.

Economic Forecast

Halifax Community College is optimistic about the future and believes it will be an integral part of our service region, Halifax County and western Northampton County. In addition to providing coursework for an Associate's Degree and job skills for a technical education on campus, the College offers the first two years toward a Bachelor's Degree as well as customized training to employers in the service area. The Business and Industry team at the College works closely with the economic development and workforce development personnel in Halifax and Northampton Counties, as well as regional and state economic development personnel.

The Roanoke Valley Early College (RVEC) program serves Weldon City Schools and has an enrollment of 149 students in grades 9-13. The tenth class graduated in spring 2019. Early College students are able to complete their high school education while earning college credits. Many will graduate from high school with up to 2 years of college credit for free. This allows them a jump start on further education or makes them immediately employable for technical positions.

The College partnered beginning in fall 2016 with the Northampton County Early College program and is operated similarly to the RVEC program. The program moved to the Dr. Phillip Taylor Complex beginning in the fall of 2019 with an enrollment of 135.

The College recently partnered with Roanoke Rapids Graded School District to establish the Roanoke Rapids Early College program and is operated similarly to the other early college's program. The program began in the fall of 2019 with an enrollment of 14. Increased enrollment in Early College continues to be a main contributor to FTE at Halifax Community College.

The College plans to complete more of the Connect NC Bond projects to improve the existing infrastructure with campus renovations in the future. This year boilers in four buildings and chillers in two buildings were replaced using Connect NC Bond funds. An Advanced Manufacturing and Corporate Training Center highlights the bond funds with the construction of a new building on campus.

The College has several grants with objectives of student success and economic development in the region and continues to seek additional resources to meet the needs of students and employers in the region. For example, the Student Support Services grant was awarded to assist students with academic development in the successful completion of post-secondary education and the PBI-Competitive grant was awarded to improve education outcomes of African American males. The Educational Opportunity Centers (EOC) grant provides counseling and information about college admissions, financial literacy and financial aid options. The Workforce Innovation and Opportunity Act grant provides training and support to help dislocated workers find employment. The TechHire grant provides training to help young adults find employment in high-skilled, high-growth jobs such as information technologies and healthcare.

The childcare center space is rented to Choanoke Area Development Association of NC, Inc. (CADA) and continues to be a valuable resource to our community. They are operating a Head Start program.

Request for Information

This financial report is designed to provide an overview of Halifax Community College's finances. Questions concerning any of this information should be addressed to the Vice President of Administrative Services, Halifax Community College, 100 College Drive, Weldon, NC 27890, (252) 536-7213.

FINANCIAL STATEMENTS

Halifax Community College
Statement of Net Position
June 30, 2019

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	245,406.60
Restricted Cash and Cash Equivalents		418,922.18
Receivables, Net (Note 5)		514,116.56
Due from State of North Carolina Component Units		583,407.32
Inventories		49,782.70
Prepaid Items		23,208.69
Notes Receivable, Net (Note 5)		279.40
Total Current Assets		1,835,123.45
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		60,094.67
Restricted Due from Primary Government		91,664.58
Endowment Investments		923,196.88
Other Restricted Investments		501,672.01
Net Other Postemployment Benefits Asset		11,139.00
Capital Assets - Nondepreciable (Note 6)		387,520.00
Capital Assets - Depreciable, Net (Note 6)		11,405,579.42
Total Noncurrent Assets		13,380,866.56
Total Assets		15,215,990.01
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		2,454,454.00
Deferred Outflows Related to Other Postemployment Benefits (Note 14)		469,565.00
Total Deferred Outflows of Resources		2,924,019.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 7)		389,693.54
Unearned Revenue		36,804.48
Funds Held for Others		30,173.40
Long-Term Liabilities - Current Portion (Note 8)		76,334.38
Total Current Liabilities		533,005.80
Noncurrent Liabilities:		
Long-Term Liabilities, Net (Note 8)		15,432,617.02
Total Liabilities		15,965,622.82
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		198,312.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)		6,318,875.00
Total Deferred Inflows of Resources		6,517,187.00

NET POSITION		
Net Investment in Capital Assets		11,645,709.42
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		980,619.05
Expendable:		
Scholarships and Fellowships		607,602.11
Loans		12,982.88
Capital Projects		64,534.24
Restricted for Specific Programs		632,578.54
Other		135,930.76
Unrestricted		(18,422,757.81)
Total Net Position	$	(4,342,800.81)

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

Halifax 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)	$	547,891.72
Sales and Services		271,776.88
Other Operating Revenues		16,481.76
Total Operating Revenues		836,150.36
OPERATING EXPENSES		
Salaries and Benefits		9,652,448.92
Supplies and Materials		924,658.78
Services		1,828,252.81
Scholarships and Fellowships		1,267,473.22
Utilities		395,582.59
Depreciation		529,391.52
Total Operating Expenses		14,597,807.84
Operating Loss		(13,761,657.48)
NONOPERATING REVENUES		
State Aid		7,766,270.10
County Appropriations		1,331,189.98
Noncapital Grants - Student Financial Aid		1,931,288.67
Noncapital Grants		2,450,165.79
Noncapital Gifts		134,156.22
Investment Income (Net of Investment Expense of $8,193.82)		61,920.80
Other Nonoperating Revenues		48,255.75
Net Nonoperating Revenues		13,723,247.31
Loss Before Other Revenues		(38,410.17)
State Capital Aid		466,942.52
County Capital Aid		371,688.02
Capital Grants		73,446.06
Additions to Endowments		24,485.39
Increase in Net Position		898,151.82
NET POSITION		
Net Position - July 1, 2018		(5,240,952.63)
Net Position - June 30, 2019	$	(4,342,800.81)

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

Halifax Community College
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 793,289.14
Payments to Employees and Fringe Benefits	(10,220,930.83)
Payments to Vendors and Suppliers	(3,143,047.79)
Payments for Scholarships and Fellowships	(1,267,473.22)
Other Receipts	62,709.73
Net Cash Used by Operating Activities	(13,775,452.97)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid	7,766,270.10
County Appropriations	1,331,189.98
Noncapital Grants - Student Financial Aid	2,049,057.63
Noncapital Grants	1,832,390.69
Noncapital Gifts	134,156.22
Additions to Endowments	24,485.39
Cash Provided by Noncapital Financing Activities	13,137,550.01
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
State Capital Aid	466,942.52
County Capital Aid	371,688.02
Capital Grants	73,446.06
Acquisition and Construction of Capital Assets	(124,008.50)
Net Cash Provided by Capital Financing and Related Financing Activities	788,068.10
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	985,312.15
Investment Income	100,690.45
Purchase of Investments and Related Fees	(1,083,677.18)
Net Cash Provided by Investing Activities	2,325.42
Net Increase in Cash and Cash Equivalents	152,490.56
Cash and Cash Equivalents - July 1, 2018	571,932.89
Cash and Cash Equivalents - June 30, 2019	$ 724,423.45

Halifax Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(13,761,657.48)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense		529,391.52
Other Nonoperating Income		52,623.33
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		(43,184.03)
Inventories		(33,253.50)
Other Assets		(4,167.91)
Net Other Postemployment Benefits Asset		13,413.00
Deferred Outflows Related to Pensions		(480,652.00)
Deferred Outflows Related to Other Postemployment Benefits		(37,793.00)
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		94,326.59
Unearned Revenue		322.81
Funds Held for Others		10,086.40
Net Pension Liability		571,771.00
Net Other Postemployment Benefits Liability		(1,771,964.00)
Compensated Absences		96,410.30
Deferred Inflows Related to Pensions		2,580.00
Deferred Inflows Related to Other Postemployment Benefits		986,294.00
Net Cash Used by Operating Activities	$	(13,775,452.97)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$	147,390.00
Change in Fair Value of Investments		(30,575.83)
Loss on Disposal of Capital Assets		(4,367.58)
Increase in Receivables Related to Nonoperating Income		583,407.32

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

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

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

Separate financial statements for the Foundation may be obtained from the College Controller's Office, Halifax Community College, P.O. Drawer 809, Weldon, NC 27890, or by calling (252) 536-7269.

Condensed combining information regarding the blended component unit is provided in Note 17.

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 money market accounts.

E. **Investments** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the value of investments is recognized as a component of investment income.

F. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

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

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

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

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

Asset Class	Estimated Useful Life
Buildings	30-50 years
Machinery and Equipment	5-50 years
General Infrastructure	25-50 years

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

J. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability that will not be paid with 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.

K. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each 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.

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits - The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2019 was $1,487.00. The carrying amount of the College's deposits with private financial institutions was $722,936.45 and the bank balance was $1,099,872.18.

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.

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

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

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

Investments of the College's component unit, Halifax Community College Foundation, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements.

The following table presents the investments by type and investments subject to interest rate risk at June 30, 2019, for the College's investments. Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No.3,* as the risk a government may face should interest rate variances affect the value of investments. The College does not have a formal investment policy that addresses interest rate risk.

Investments

		Investment Maturities (in Years)		
	Amount	Less Than 1	1 to 5	6 to 10
Investment Type				
Debt Securities				
Debt Mutual Funds	$ 533,547.35	$ 0.00	$ 116,703.88	$ 416,843.47
Money Market Mutual Funds	27,067.82	27,067.82		
Total Debt Securities	560,615.17	$ 27,067.82	$ 116,703.88	$ 416,843.47
Other Securities				
International Mutual Funds	291,788.00			
Equity Mutual Funds	572,465.72			
Total Investments	$ 1,424,868.89			

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have a formal policy that addresses credit risk. As of June 30, 2019, the College's investments were rated as follows:

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Debt Mutual Funds	$ 533,547.35	$ 288,629.95	$ 29,198.21	$ 118,986.45	$ 89,592.88	$ 2,470.95	$ 4,668.91
Money Market Mutual Funds	27,067.82	27,067.82					
Totals	$ 560,615.17	$ 315,697.77	$ 29,198.21	$ 118,986.45	$ 89,592.88	$ 2,470.95	$ 4,668.91

Rating Agency: Morningstar

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.

The following table summarizes the College's investments within the fair value hierarchy at June 30, 2019:

	Fair Value	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
Debt Mutual Funds	$ 533,547.35	$ 533,547.35	$ 0.00	$ 0.00
Money Market Mutual Funds	27,067.82	27,067.82		
Total Debt Securities	560,615.17	560,615.17		
Other Securities				
International Mutual Funds	291,788.00	291,788.00		
Equity Mutual Funds	572,465.72	572,465.72		
Total Investments by Fair Value Level	$ 1,424,868.89	$ 1,424,868.89	$ 0.00	$ 0.00

Debt and Equity Securities - Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

NOTE 4 - ENDOWMENT INVESTMENTS

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

Investment return of the College's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure. Annual payouts from the College's endowment funds are based on a fixed percentage of the three year rolling average of the market value of the endowment at the fiscal year-end. The payout rate is currently 3% of the three year rolling average.

The Foundation provided scholarships that exceeded the related endowment's available annual payouts in prior years. As a result, the Foundation has spent all unrestricted funds to the point that total assets are not sufficient to cover restrictions. This has resulted in a reduction to the restricted expendable scholarships and fellowships balance. At June 30, 2019, the amount of the deficit reported against the restricted expendable scholarships and fellowships balance was $142,563.27. This is a decrease from the prior year of $10,658.00.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2019, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 192,461.61	$ 141,161.17	$ 51,300.44
Students Sponsors	51,194.20		51,194.20
Intergovernmental	398,163.90		398,163.90
Other	13,458.02		13,458.02
Total Current Receivables	$ 655,277.73	$ 141,161.17	$ 514,116.56
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	$ 800.90	$ 521.50	$ 279.40

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	$ 194,800.00	$ 0.00	$ 0.00	$ 194,800.00
Construction in Progress		192,720.00		192,720.00
Total Capital Assets, Nondepreciable	194,800.00	192,720.00		387,520.00
Capital Assets, Depreciable:				
Buildings	18,211,761.14			18,211,761.14
Machinery and Equipment	3,047,617.97	78,678.50	11,091.59	3,115,204.88
General Infrastructure	592,177.07			592,177.07
Total Capital Assets, Depreciable	21,851,556.18	78,678.50	11,091.59	21,919,143.09
Less Accumulated Depreciation for:				
Buildings	7,940,670.63	363,155.16		8,303,825.79
Machinery and Equipment	1,875,133.21	152,827.68	6,724.01	2,021,236.88
General Infrastructure	175,092.32	13,408.68		188,501.00
Total Accumulated Depreciation	9,990,896.16	529,391.52	6,724.01	10,513,563.67
Total Capital Assets, Depreciable, Net	11,860,660.02	(450,713.02)	4,367.58	11,405,579.42
Capital Assets, Net	$ 12,055,460.02	$ (257,993.02)	$ 4,367.58	$ 11,793,099.42

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 52,049.29
Accounts Payable - Capital Assets	147,390.00
Accrued Payroll	190,254.25
Total Current Accounts Payable and Accrued Liabilities	$ 389,693.54

NOTE 8 - LONG-TERM LIABILITIES

Changes in 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	$ 544,869.70	$ 517,262.71	$ 449,497.01	$ 612,635.40	$ 76,334.38
Net Pension Liability	3,658,571.00	571,771.00		4,230,342.00	
Net Other Postemployment Benefits Liability	12,437,938.00		1,771,964.00	10,665,974.00	
Total Long-Term Liabilities	$ 16,641,378.70	$ 1,089,033.71	$ 2,221,461.01	$ 15,508,951.40	$ 76,334.38

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

NOTE 9 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2019:

Fiscal Year	Amount
2020	$ 30,726.60
2021	15,374.57
2022	9,240.34
Total Minimum Lease Payments	$ 55,341.51

Rental expense for all operating leases during the year was $45,449.03.

NOTE 10 - NET POSITION

The deficit in unrestricted net position of $18,422,757.81 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	$ 2,454,454.00	$ 0.00	$ 2,454,454.00
Deferred Outflows Related to OPEB		425,168.00	425,168.00
Noncurrent Liabilities:			
Long-Term Liabilities:			
Net Pension Liability	4,230,342.00		4,230,342.00
Net OPEB Liability		10,665,974.00	10,665,974.00
Deferred Inflows Related to Pensions	198,312.00		198,312.00
Deferred Inflows Related to OPEB		6,318,875.00	6,318,875.00
Net Effect on Unrestricted Net Position	$ (1,974,200.00)	$ (16,559,681.00)	$ (18,533,881.00)

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

NOTE 11 - REVENUES

A summary of 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	$ 1,249,996.74	$ 653,632.09	$ 48,472.93	$ 547,891.72

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	$ 4,731,201.24	$ 210,484.35	$ 180,637.82	$ 55,254.71	$ 0.00	$ 0.00	$ 5,177,578.12
Academic Support	709,556.56	53,836.57	45,464.61				808,857.74
Student Services	1,688,564.00	157,884.59	254,932.12				2,101,380.71
Institutional Support	1,995,141.89	52,160.68	565,310.11	27,927.00			2,640,539.68
Operations and Maintenance of Plant	468,782.00	439,518.24	503,150.72		395,582.59		1,807,033.55
Student Financial Aid		4,728.50	57,585.73	1,184,291.51			1,246,605.74
Auxiliary Enterprises	59,203.23	6,045.85	221,171.70				286,420.78
Depreciation						529,391.52	529,391.52
Total Operating Expenses	$ 9,652,448.92	$ 924,658.78	$ 1,828,252.81	$ 1,267,473.22	$ 395,582.59	$ 529,391.52	$ 14,597,807.84

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 $405,761.60, and the College's contributions were $831,135.02 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 $4,230,342.00 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 0.04249%, which was a decrease of 0.00362 from its proportion measured as of June 30, 2017, which was 0.04611%.

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%)
$ 8,067,980.00	$ 4,230,342.00	$ 1,010,184.00

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 $924,176.00. 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	$ 308,733.00	$ 42,454.00
Changes of Assumptions	848,921.00	
Net Difference Between Projected and Actual Earnings on Plan Investments	403,172.00	
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	62,492.98	155,858.00
Contributions Subsequent to the Measurement Date	831,135.02	
Total	$ 2,454,454.00	$ 198,312.00

The amount of $831,135.02 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	$ 857,227.00
2021	543,482.00
2022	31,702.00
2023	(7,404.02)
Total	$ 1,425,006.98

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 $424,020.87 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 $9,467.77 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 $10,665,974.00 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 0.03744%, which was a decrease of 0.0005 from its proportion measured as of June 30, 2017, which was 0.03794%.

Net OPEB Asset: At June 30, 2019, the College reported an asset of $11,139.00 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 0.03667%, which was a decrease of 0.00503 from its proportion measured as of June 30, 2017, which was 0.04170%.

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	$ 12,601,959.00	$ 10,665,974.00	$ 9,114,079.00
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	$ (8,535.00)	$ (11,139.00)	$ (13,637.00)

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

	1% Decrease (Medical - 4.00% - 5.50%, Pharmacy - 4.00% - 6.25%, Med. Advantage - 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	$ 8,799,153.00	$ 10,665,974.00	$ 13,116,750.00

	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	$ (11,171.00)	$ (11,139.00)	$ (11,108.00)

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 $378,458.00 for RHBF and expense of $1,894.00 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	$ 19,431.00	$ 19,431.00
Changes of Assumptions		2,103.00	2,103.00
Net Difference Between Projected and Actual Earnings on Plan Investments	1,147.13	8,675.23	9,822.36
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions		4,720.00	4,720.00
Contributions Subsequent to the Measurement Date	424,020.87	9,467.77	433,488.64
Total	$ 425,168.00	$ 44,397.00	$ 469,565.00

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 729,386.00	$ 0.00	$ 729,386.00
Changes of Assumptions	4,620,746.00		4,620,746.00
Net Difference Between Projected and Actual Earnings on Plan Investments			
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	968,743.00		968,743.00
Total	$ 6,318,875.00	$ 0.00	$ 6,318,875.00

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	$ (1,474,634.00)	$ 8,629.00
2021	(1,474,634.00)	8,628.00
2022	(1,474,634.00)	5,963.00
2023	(1,473,493.00)	4,736.00
2024	(420,332.87)	3,488.00
Thereafter		3,485.23
Total	$ (6,317,727.87)	$ 34,929.23

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.

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the College

Teachers and students are covered for medical malpractice through the Healthcare Providers Service Organization. Students pay $16.00

per year for coverage, while teacher are covered for free. The limits of liability are $2,000,000 per claim and $5,000,000 aggregate.

NOTE 16 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on other purchases were $257,530.00 at June 30, 2019.

NOTE 17 - BLENDED COMPONENT UNIT

Condensed combining information for the College's blended component unit for the year ended June 30, 2019, is presented as follows:

Condensed Statement of Net Position
June 30, 2019

	Halifax Community College	Halifax Community College Foundation, Inc.	Total
ASSETS			
Current Assets	$ 1,706,136.98	$ 128,986.47	$ 1,835,123.45
Capital Assets, Net	11,793,099.42		11,793,099.42
Other Noncurrent Assets	102,803.58	1,484,963.56	1,587,767.14
Total Assets	13,602,039.98	1,613,950.03	15,215,990.01
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,924,019.00		2,924,019.00
LIABILITIES			
Current Liabilities	528,292.36	4,713.44	533,005.80
Noncurrent Liabilities	15,432,617.02		15,432,617.02
Total Liabilities	15,960,909.38	4,713.44	15,965,622.82
TOTAL DEFERRED INFLOWS OF RESOURCES	6,517,187.00		6,517,187.00
NET POSITION			
Net Investment in Capital Assets	11,645,709.42		11,645,709.42
Restricted - Nonexpendable		980,619.05	980,619.05
Restricted - Expendable	825,010.99	628,617.54	1,453,628.53
Unrestricted	(18,422,757.81)		(18,422,757.81)
Total Net Position	$ (5,952,037.40)	$ 1,609,236.59	$ (4,342,800.81)

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2019

	Halifax Community College	Halifax Community College Foundation, Inc.	Eliminations	Total
OPERATING REVENUES				
Student Tuiton and Fees, Net	$ 547,891.72	$ 0.00	$ 0.00	$ 547,891.72
Sales and Services	271,776.88			271,776.88
Other Operating Revenues	16,481.76			16,481.76
Contributions		92,962.78	(92,962.78)	0.00
Total Operating Revenues	836,150.36	92,962.78	(92,962.78)	836,150.36
OPERATING EXPENSES				
Operating Expenses	13,959,257.60	109,158.72		14,068,416.32
Depreciation	529,391.52			529,391.52
Total Operating Expenses	14,488,649.12	109,158.72		14,597,807.84
Operating Loss	(13,652,498.76)	(16,195.94)	(92,962.78)	(13,761,657.48)
NONOPERATING REVENUES				
State Aid	7,766,270.10			7,766,270.10
County Appropriations	1,331,189.98			1,331,189.98
Noncapital Grants and Gifts	4,410,647.90	12,000.00	92,962.78	4,515,610.68
Investment Income, Net	2,325.42	59,595.38		61,920.80
Other Nonoperating Revenues	48,255.75			48,255.75
Net Nonoperating Revenues (Expenses)	13,558,689.15	71,595.38	92,962.78	13,723,247.31
Capital Contributions	912,076.60			912,076.60
Additions to Endowments	0.00	24,485.39		24,485.39
Increase in Net Position	818,266.99	79,884.83		898,151.82
NET POSITION				
Net Position, July 1, 2018	(6,770,304.39)	1,529,351.76		(5,240,952.63)
Net Position, June 30, 2019	$ (5,952,037.40)	$ 1,609,236.59	$ 0.00	$ (4,342,800.81)

Condensed Statement of Cash Flows
June 30, 2019

	Halifax Community College	Halifax Community College Foundation, Inc.	Total
Net Cash Used by Operating Activities	$ (13,762,770.47)	$ (12,682.50)	$ (13,775,452.97)
Cash Provided by Noncapital Financing Activities	13,101,064.62	36,485.39	13,137,550.01
Net Cash Provided by Capital and Related Financing Activities	788,068.10		788,068.10
Net Cash Provided by Investing Activities	2,325.42		2,325.42
Net Increase in Cash and Cash Equivalents	128,687.67	23,802.89	152,490.56
Cash and Cash Equivalents, July 1, 2018	407,854.64	164,078.25	571,932.89
Cash and Cash Equivalents, June 30, 2019	$ 536,542.31	$ 187,881.14	$ 724,423.45

Required Supplementary Information

Halifax 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	0.04249%	0.04611%	0.04492%
Proportionate Share of TSERS Collective Net Pension Liability	$ 4,230,342.00	$ 3,658,571.00	$ 4,128,612.00
Covered Payroll	$ 6,749,744.62	$ 7,297,713.19	$ 7,109,150.74
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	62.67%	50.13%	58.07%
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	0.04872%	0.05133%	0.05270%
Proportionate Share of TSERS Collective Net Pension Liability	$ 1,795,428.00	$ 601,804.00	$ 3,199,427.00
Covered Payroll	$ 7,574,290.79	$ 7,643,589.07	$ 7,602,403.48
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	23.70%	7.87%	42.08%
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.

Halifax 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	$ 831,135.02	$ 727,622.47	$ 728,311.78	$ 650,487.29	$ 693,047.61
Contributions in Relation to the Contractually Determined Contribution	831,135.02	727,622.47	728,311.78	650,487.29	693,047.61
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 6,762,693.37	$ 6,749,744.62	$ 7,297,713.19	$ 7,109,150.74	$ 7,574,290.79
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	$ 664,227.89	$ 633,280.21	$ 563,929.47	$ 376,569.03	$ 274,582.76
Contributions in Relation to the Contractually Determined Contribution	664,227.89	633,280.21	563,929.47	376,569.03	274,582.76
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 7,643,589.07	$ 7,602,403.48	$ 7,579,697.22	$ 7,638,317.07	$ 7,691,393.94
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.

Halifax 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

Halifax 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	0.03744%	0.03794%	0.04087%
Proportionate Share of Collective Net OPEB Liability	$ 10,665,974.00	$ 12,437,938.00	$ 17,779,839.00
Covered Payroll	$ 6,749,744.62	$ 7,297,713.19	$ 7,109,150.74
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	158.02%	170.44%	250.10%
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	0.03667%	0.04170%	0.03936%
Proportionate Share of Collective Net OPEB Asset	$ 11,139.00	$ 24,552.00	$ 24,443.00
Covered Payroll	$ 6,749,744.62	$ 7,297,713.19	$ 7,109,150.74
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.17%	0.34%	0.34%
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.

Halifax 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	$ 424,020.87	$ 408,359.55	$ 424,109.43	$ 398,112.44	$ 415,828.56
Contributions in Relation to the Contractually Determined Contribution	424,020.87	408,359.55	424,109.43	398,112.44	415,828.56
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 6,762,693.37	$ 6,749,744.62	$ 7,297,713.19	$ 7,109,150.74	$ 7,574,290.79
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	$ 412,753.81	$ 402,927.38	$ 378,984.86	$ 373,513.70	$ 346,112.73
Contributions in Relation to the Contractually Determined Contribution	412,753.81	402,927.38	378,984.86	373,513.70	346,112.73
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 7,643,589.07	$ 7,602,403.48	$ 7,579,697.22	$ 7,638,317.07	$ 7,691,393.94
Contributions as a Percentage of Covered Payroll	5.40%	5.30%	5.00%	4.89%	4.50%

Disability Income Plan of North Carolina	**2019**	**2018**	**2017**	**2016**	**2015**
Contractually Required Contribution	$ 9,467.77	$ 9,449.64	$ 27,731.31	$ 29,147.52	$ 31,054.59
Contributions in Relation to the Contractually Determined Contribution	9,467.77	9,449.64	27,731.31	29,147.52	31,054.59
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 6,762,963.37	$ 6,749,744.62	$ 7,297,713.19	$ 7,109,150.74	$ 7,574,290.79
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	$ 33,631.79	$ 33,450.58	$ 39,414.43	$ 39,719.25	$ 39,995.25
Contributions in Relation to the Contractually Determined Contribution	33,631.79	33,450.58	39,414.43	39,719.25	39,995.25
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered Payroll	$ 7,643,589.07	$ 7,602,403.48	$ 7,579,697.22	$ 7,638,317.07	$ 7,691,393.94
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.

Halifax 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

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Raleigh, NC 27699-0600
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Halifax Community College
Weldon, 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 Halifax 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 8, 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 8, 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

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

NC OSA
The Taxpayers' Watchdog

This audit required 395 hours at an approximate cost of $41,080.