State of North Carolina

Office of The State Auditor

Beth A. Wood, CPA

Tri-County Community College

Murphy, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2020

A Component Unit of the State of North Carolina

NCOSA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor

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State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Trustees, Tri-County Community College

We have completed a financial statement audit of Tri-County Community College for the year ended June 30, 2020, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

Beth A. Wood, CPA
State Auditor

Beth A. Wood, CPA
State Auditor

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Chapter 147, Article 5A of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.

Independent Auditor's Report

STATE OF NORTH CAROLINA
Office of the State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Tri-County Community College
Murphy, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Tri-County Community College (College), a component unit of the State of North Carolina, as of and for the year ended June 30, 2020, 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 did not audit the financial statements of Tri-County Community College Foundation, Inc., which represent 2.82 percent and 0.15 percent, respectively, of the assets and revenues of the College. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Tri-County Community College Foundation, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Tri-County Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

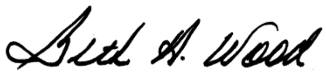
In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Tri-County Community College as of June 30, 2020, and the changes in financial position and cash flows thereof for the 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 February 3, 2021 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, CPA
State Auditor

Raleigh, North Carolina

February 3, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Purpose

The information in this section is intended to provide a general overview of Tri-County Community College's (College) 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 detailed supporting information.

The College reports as a special purpose government engaged in business-type activities. Under this provision, the College presents financial statements using the economic resources measurement focus and the accrual basis of accounting. The basic financial statements under this provision are the following: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows, along with the Notes to the Financial Statements.

The Statement of Net Position reports all financial and capital resources available to the College as of the end of the fiscal year. This statement presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources in order of their relative liquidity, meaning those assets that are most easily converted to cash are presented first, and liabilities whose maturity dates are nearest to the end of the fiscal year are presented first. Net position is presented in three categories: investment in capital assets, restricted, and unrestricted. This statement details the College's financial strength and its ability to meet current and future obligations.

The Statement of Revenues, Expenses, and Changes in Net Position reports revenues and expenses by major source. Revenues are shown as operating, nonoperating, or as an addition to endowments or a capital contribution. Expenses are also shown by major use as either operating or nonoperating. This statement is used to determine the extent the College is dependent upon operating or nonoperating sources of funding to continue operations.

The Statement of Cash Flows displays the cash receipts and cash payments of the College for the fiscal year. This statement is used to assess the College's ability to generate future net cash flows, to meet obligations, to identify needs for external financing, to identify the reasons for differences between operating income on the Statement of Revenues, Expenses, and Changes in Net Position and associated cash receipts and payments, and to identify the effects on the College's financial position of both its cash and noncash investing, capital, and financing transactions through the fiscal year. A reconciliation of operating loss to net cash flow from operating activities is provided to detail the net effects of operating transactions and other events that affect operating loss and operating cash flows in different periods.

The Notes to the Financial Statements are an integral component of the basic financial statements and should be read in conjunction with the other statements in order to achieve a fuller understanding of the line-items presented in the financial statements.

The financial statements of Tri-County Community College Foundation, Inc. (Foundation) have been blended with those of the College. See Note 1A and Note 16 of the notes to financial statements for further details.

Total Assets

The assets of the College are divided between current and noncurrent holdings. Total assets of the College decreased by $123,057.43 or 0.81%.

Current Assets

Current assets include cash, short-term certificates of deposit, receivables, inventories, and prepaid items. Cash increased by $314,633.88 or 20.79% because of local gifts and a new sustainable agriculture grant.

	2019-2020	2018-2019	$ Change	% Change
Cash	$ 1,828,010.27	$ 1,513,376.39	$ 314,633.88	20.79%
Investments	207,000.00	207,000.00	-	-
Receivables, Net	152,271.36	167,549.18	(15,277.82)	(9.12%)
Inventories	69,582.56	47,198.02	22,384.54	47.43%
Prepaid Items	38,088.48	41,135.21	(3,046.73)	(7.41%)
Total Current Assets	$ 2,294,952.67	$ 1,976,258.80	$ 318,693.87	16.13%

Noncurrent Assets

Noncurrent assets include cash, certificates of deposit, net other postemployment benefits (OPEB) asset, and capital assets (land, construction in progress, buildings, general infrastructure, and machinery and equipment). The College completed the initial phase of the project to install new security systems on all campus doors; however, net capital assets decreased by $444,544.30 or 3.44% due to a significant reduction in construction projects when compared to accumulated depreciation and a reduction in capital equipment purchases. For more information, see Note 5 of the notes to financial statements.

	2019-2020	2018-2019	$ Change	% Change
Cash	$ 1,414.70	$ 1,414.70	$ -	-
Investments	214,500.00	214,500.00	-	-
Net OPEB Asset	11,301.00	8,508.00	2,793.00	32.83%
Capital Assets, Net	12,469,596.37	12,914,140.67	(444,544.30)	(3.44%)
Total Noncurrent Assets	$ 12,696,812.07	$ 13,138,563.37	$ (441,751.30)	(3.36%)

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period and has a positive effect on net position similar to assets. Deferred outflows of resources consisted of employer contributions for pensions and OPEB and other variables as described in Notes 11 and 12 of the notes to the financial statements. The decrease of $164,583.00 or 6.42% in deferred outflows of resources is mostly due to the differences between actual and projected earnings on plan investments and changes in actuarial assumptions. See the notes referenced above for further details.

	2019-2020	2018-2019	$ Change	% Change
Deferred Outflows for Pensions	$ 1,327,861.00	$ 1,829,623.00	$ (501,762.00)	(27.42%)
Deferred Outflows for OPEB	1,070,831.00	733,652.00	337,179.00	45.96%
Total Deferred Outflows of Resources	$ 2,398,692.00	$ 2,563,275.00	$ (164,583.00)	(6.42%)

Total Liabilities

Total liabilities of the College increased by $195,442.72 or 1.63%. The liabilities of the College are divided between current liabilities payable within twelve months and noncurrent liabilities that extend beyond a year. Long-term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year calculated at the current salary rates for each employee, consistent with the institution's leave policies, as well as amounts pertaining to the College's net pension liability and net OPEB liability.

Liabilities

Unearned revenue increased by $44,679.08 or 71.43% due to the receipt of federal Coronavirus Relief funds that had not yet been earned per grant requirements. Long-term liabilities increased by $191,875.84 or 1.65%, of which the majority of the increase is due to a change in actuarial assumptions for the net OPEB liability. For more information, see Note 12 of the notes to financial statements.

	2019-2020	2018-2019	$ Change	% Change
Current Liabilities				
Accounts Payable and Accrued Liabilities	$ 207,443.31	$ 232,381.83	$ (24,938.52)	(10.73%)
Unearned Revenue	107,227.74	62,548.66	44,679.08	71.43%
Funds Held for Others	5,743.72	4,493.71	1,250.01	27.82%
Long-Term Liabilities-Current Portion	43,676.87	61,100.56	(17,423.69)	(28.52%)
Noncurrent Liabilities				
Long-Term Liabilities	11,800,685.89	11,608,810.05	191,875.84	1.65%
Total Liabilities	$ 12,164,777.53	$ 11,969,334.81	$ 195,442.72	1.63%

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position by the government that is applicable to a future reporting period and has a negative effect on net position similar to liabilities. The College's deferred inflows of resources decreased by $435,238.00 or 9.97% as a result of recognizing its proportion of the components of the State's pension and OPEB obligations. See Notes 11 and 12 of the notes to financial statements for further details regarding the components of the College's deferred inflows of resources for pension and OPEB.

	2019-2020	2018-2019	$ Change	% Change
Deferred Inflows for Pensions	$ 102,762.00	$ 69,217.00	$ 33,545.00	48.46%
Deferred Inflows for OPEB	3,829,175.00	4,297,958.00	(468,783.00)	(10.91%)
Total Deferred Inflows of Resources	$ 3,931,937.00	$ 4,367,175.00	$ (435,238.00)	(9.97%)

Net Position

Net position is the difference between the College's assets plus deferred outflows of resources less liabilities and deferred inflows of resources. For fiscal year 2020, the College's net position decreased by $47,845.15 or 3.57%. Investment in capital assets decreased by $444,544.30 or 3.44% due to depreciation expense being greater than the total amount of new capital assets added. Restricted net position, including expendable and nonexpendable amounts, increased by $69,435.24 or 8.23%, primarily due to the addition of emergency federal relief funding regarding COVID-19. The deficit in unrestricted net position decreased by $327,263.91 or 2.64% due in large part to the proportionate fluctuations of the pension and OPEB components. See Note 8 of the notes to financial statements for additional details regarding the deficit in unrestricted net position.

	2019-2020	2018-2019	$ Change	% Change
Investment in Capital Assets	$ 12,469,596.37	$ 12,914,140.67	$ (444,544.30)	(3.44%)
Restricted	913,333.34	843,898.10	69,435.24	8.23%
Unrestricted	(12,089,187.50)	(12,416,451.41)	327,263.91	(2.64%)
Total Net Position	$ 1,293,742.21	$ 1,341,587.36	$ (47,845.15)	(3.57%)

Total Revenues and Expenses

The College's total revenues decreased by $810,547.71 or 6.62% and are classified as operating, nonoperating, capital contributions, and additions to endowments. Total expenses increased by $307,943.52 or 2.76% and are classified as either operating or nonoperating. The overall decrease in the change in net position is due, in large part, to the reduction in revenue received for completed capital improvement projects.

	2019-2020	2018-2019	Change	% Change
Total Revenues	$ 11,434,454.12	$ 12,245,001.83	$ (810,547.71)	(6.62%)
Total Expenses	11,482,299.27	11,174,355.75	307,943.52	2.76%
Change in Net Position	$ (47,845.15)	$ 1,070,646.08	$ (1,118,491.23)	(104.47%)

Operating Revenues

Operating revenues include net student tuition and fees, sales and services revenue (which is principally comprised of the revenue received from the bookstore, vending, and patron fees), and other operating revenues. Student tuition, though identified as revenue, is remitted back to the State Treasurer and is not netted against the College's state aid, which is identified as nonoperating revenue. Gross student tuition and fees is reduced by the scholarship discount, which represents payments toward tuition and fees from student financial aid, as well as the allowance for uncollectibles. Although enrollment of full-time students increased during the year, net student tuition and fees decreased by $61,307.01 or 12.35% due to a decrease in continuing education and self-supporting students as well as an increase in the scholarship discount. Sales and services decreased by $63,991.51 or 63.17% also as a result of no students on campus at the end of the fiscal year due to the pandemic, which decreased revenues related to live project fees as well as bookstore and vending commissions. Other operating revenues decreased by $20,787.26 or 28.88% due to a reduction in self-supporting and specific program receipts.

	2019-2020	2018-2019	$ Change	% Change
Student Tuition and Fees, Net	$ 434,951.31	$ 496,258.32	$ (61,307.01)	(12.35%)
State and Local Grants and Contracts	39,999.96	42,499.96	(2,500.00)	(5.88%)
Sales and Services	37,311.43	101,302.94	(63,991.51)	(63.17%)
Other Operating Revenues	51,189.50	71,976.76	(20,787.26)	(28.88%)
Total Operating Revenues	$ 563,452.20	$ 712,037.98	$ (148,585.78)	(20.87%)

Nonoperating Revenues

Nonoperating revenues comprise the major portion of the College's income and include allocations from the North Carolina State Board of Community Colleges for current expenses and equipment purchases. This revenue source also includes funds appropriated from the Cherokee, Clay, and Graham County Boards of Commissioners. Noncapital contributions include funding for items such as new programming, student financial assistance, Tri-County Early College, the Foundation, private grantors, and COVID relief funding. The increases in state aid – coronavirus relief fund and federal aid – COVID-19 are due to additional funds received to provide to students as well as cover institutional expenses incurred as a result of the coronavirus. County appropriations increased by $122,686.04 or 11.60% as a result of additional appropriated funding based on agreement between Cherokee, Clay, and Graham counties. Noncapital contributions increased by $202,067.16 or 78.56% due primarily to an increase in local gifts made to the College.

	2019-2020	2018-2019	$ Change	% Change
State Aid	$ 6,978,338.89	$ 7,005,161.10	$ (26,822.21)	(0.38%)
State Aid - Coronavirus Relief Fund	100,168.00	-	100,168.00	
County Appropriations	1,180,524.04	1,057,838.00	122,686.04	11.60%
Student Financial Aid	1,916,806.64	1,852,866.08	63,940.56	3.45%
Federal Aid - COVID-19	142,600.00	-	142,600.00	
Noncapital Contributions	459,269.07	257,201.91	202,067.16	78.56%
Investment Income	1,015.84	1,030.16	(14.32)	(1.39%)
Other Nonoperating Expenses	(3,473.73)	(5,419.78)	1,946.05	(35.91%)
Net Nonoperating Revenues	$ 10,775,248.75	$ 10,168,677.47	$ 606,571.28	5.97%

Capital Contributions and Additions to Endowments

Capital contributions are received through appropriations from the North Carolina State Board of Community Colleges under an allocation formula for educational equipment and library books, county appropriations, and other funding sources. During fiscal year 2019-2020, state capital aid decreased by $1,266,498.16 or 93.26% due primarily to a decrease in construction reimbursements from state bond funds.

	2019-2020	2018-2019	$ Change	% Change
State Capital Aid	$ 91,536.44	$ 1,358,034.60	$ (1,266,498.16)	(93.26%)
Capital Contributions	731.00	782.00	(51.00)	(6.52%)
Additions to Endowments	12.00	50.00	(38.00)	(76.00%)
Total Contributions	$ 92,279.44	$ 1,358,866.60	$ (1,266,587.16)	(93.21%)

Operating Expenses

The College's operating expenses are comprised principally of the direct cost of personnel and their fringe benefits identified as salaries and benefits. Salaries and benefits increased by $316,630.54 or 4.28% due to increases in base pay for full and part-time employees, as well as increases in benefit expenses. Supplies and services decreased by $112,937.80 or 6.54% due to reduced budget resources and decreased spending due to operational disruptions created by COVID-19. Scholarships and fellowships increased by $138,267.50 or 11.54% as a result of increased financial aid awards made to students, partially driven by COVID-19 federal student aid.

	2019-2020	2018-2019	$ Change	% Change
Salaries and Benefits	$ 7,711,857.19	$ 7,395,226.65	$ 316,630.54	4.28%
Supplies and Services	1,613,913.36	1,726,851.16	(112,937.80)	(6.54%)
Scholarships and Fellowships	1,336,166.03	1,197,898.53	138,267.50	11.54%
Utilities	313,364.31	333,240.98	(19,876.67)	(5.96%)
Depreciation	503,524.65	515,718.65	(12,194.00)	(2.36%)
Total Expenses	$ 11,478,825.54	$ 11,168,935.97	$ 309,889.57	2.77%

Economic Outlook

The College is working hard to continue to provide the highest standard of education amidst the COVID-19 crisis. Enrollment has been reflective of a deflated local economy and unemployment rates have escalated. The College is in the process of constructing the Tri-County Community College Sustainable Agriculture Program and constructing an associated facility that will provide additional opportunities to students. The new facility is expected to be completed at the end of fiscal year 2021. The College has been able to partner with local business and industry regarding new as well as retraining opportunities for our community members and will explore some additional possibilities for new programs of study.

Financial Statements

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 1,254,419.08
Restricted Cash and Cash Equivalents	573,591.19
Short-Term Investments	65,000.00
Restricted Short-Term Investments	142,000.00
Receivables, Net (Note 4)	152,271.36
Inventories	69,582.56
Prepaid Items	38,088.48
Total Current Assets	2,294,952.67
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	1,414.70
Restricted Investments	214,500.00
Net Other Postemployment Benefits Asset	11,301.00
Capital Assets - Nondepreciable (Note 5)	501,488.02
Capital Assets - Depreciable, Net (Note 5)	11,968,108.35
Total Noncurrent Assets	12,696,812.07
Total Assets	14,991,764.74
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	1,327,861.00
Deferred Outflows Related to Other Postemployment Benefits (Note 12)	1,070,831.00
Total Deferred Outflows of Resources	2,398,692.00
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	207,443.31
Unearned Revenue	107,227.74
Funds Held for Others	5,743.72
Long-Term Liabilities - Current Portion (Note 7)	43,676.87
Total Current Liabilities	364,091.64
Noncurrent Liabilities:	
Long-Term Liabilities (Note 7)	11,800,685.89
Total Liabilities	12,164,777.53
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	102,762.00
Deferred Inflows Related to Other Postemployment Benefits (Note 12)	3,829,175.00
Total Deferred Inflows of Resources	3,931,937.00

NET POSITION

Investment in Capital Assets	12,469,596.37
Restricted:	
Nonexpendable	
Student Financial Aid	215,914.70
Other	3,243.00
Expendable	
Student Financial Aid	104,309.46
Restricted for Specific Programs	415,815.10
Capital Projects	139,101.08
Other	34,950.00
Unrestricted	(12,089,187.50)
Total Net Position	$ 1,293,742.21

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

Tri-County Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020 — *Exhibit A-2*

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 9)	$ 434,951.31
State and Local Grants and Contracts	39,999.96
Sales and Services	37,311.43
Other Operating Revenues	51,189.50
Total Operating Revenues	563,452.20
OPERATING EXPENSES	
Salaries and Benefits	7,711,857.19
Supplies and Services	1,613,913.36
Scholarships and Fellowships	1,336,166.03
Utilities	313,364.31
Depreciation	503,524.65
Total Operating Expenses	11,478,825.54
Operating Loss	(10,915,373.34)
NONOPERATING REVENUES (EXPENSES)	
State Aid	6,978,338.89
State Aid - Coronavirus Relief Fund	100,168.00
County Appropriations	1,180,524.04
Student Financial Aid	1,916,806.64
Federal Aid - COVID-19	142,600.00
Noncapital Contributions	459,269.07
Investment Income	1,015.84
Other Nonoperating Expenses	(3,473.73)
Net Nonoperating Revenues	10,775,248.75
Loss Before Other Revenues	(140,124.59)
State Capital Aid	91,536.44
Capital Contributions	731.00
Additions to Endowments	12.00
Total Other Revenues	92,279.44
Decrease in Net Position	(47,845.15)
NET POSITION	
Net Position - July 1, 2019	1,341,587.36
Net Position - June 30, 2020	$ 1,293,742.21

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

Tri-County Community College
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2020 — *Page 1 of 2*

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 601,714.34
Payments to Employees and Fringe Benefits	(7,813,069.67)
Payments to Vendors and Suppliers	(1,969,335.36)
Payments for Scholarships and Fellowships	(1,353,284.98)
Other Payments	(9,723.64)
Net Cash Used by Operating Activities	(10,543,699.31)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid	6,978,338.89
State Aid - Coronavirus Relief Fund	100,168.00
County Appropriations	1,180,524.04
Student Financial Aid	1,916,806.64
Federal Aid - COVID-19	192,601.21
Noncapital Contributions	459,607.92
Additions to Endowments	12.00
Total Cash Provided by Noncapital Financing Activities	10,828,058.70
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
State Capital Aid	91,536.44
Capital Contributions	731.00
Acquisition and Construction of Capital Assets	(63,020.47)
Net Cash Provided by Capital Financing and Related Financing Activities	29,246.97
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	1,027.52
Net Increase in Cash and Cash Equivalents	314,633.88
Cash and Cash Equivalents - July 1, 2019	1,514,791.09
Cash and Cash Equivalents - June 30, 2020	$ 1,829,424.97

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (10,915,373.34)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	503,524.65
Other Nonoperating Income	566.40
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	14,927.29
Inventories	(22,384.54)
Prepaid Items	3,046.73
Net Other Postemployment Benefits Asset	(2,793.00)
Deferred Outflows Related to Pensions	501,762.00
Deferred Outflows Related to Other Postemployment Benefits	(337,179.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(24,938.52)
Unearned Revenue	(5,322.13)
Funds Held for Others	1,250.00
Net Pension Liability	(86,484.00)
Net Other Postemployment Benefits Liability	230,394.00
Compensated Absences	30,542.15
Deferred Inflows Related to Pensions	33,545.00
Deferred Inflows Related to Other Postemployment Benefits	(468,783.00)
Net Cash Used by Operating Activities	$ (10,543,699.31)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Loss on Disposal of Capital Assets	(4,040.12)

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. Tri-County 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, Tri-County Community College Foundation, Inc. (Foundation) is reported as if it was part of the College. The Foundation is governed by a 12-member board consisting of 6 elected directors and 6 at-large members, with additional members being added at the Board's discretion. 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 College Board of Trustees and the Foundation's sole purpose is to benefit the 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, 21 Campus Circle, Murphy, NC 28906, or by calling (828) 837-6810.

Condensed combining information regarding the blended component unit is provided in Note 16.

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

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

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

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

D. Cash and Cash Equivalents - This classification includes undeposited receipts, petty cash, and cash on deposit with private bank accounts.

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

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

G. Inventories - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost 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.

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

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

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

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

J. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2019 *Comprehensive Annual Financial Report.* This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 11 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the College's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2019 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 12 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

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

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

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

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

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

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

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

N. **Scholarship Discounts** - Student tuition and fees revenues 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, 2020 was $750.00. The carrying amount of the College's deposits, including certificates of deposit of $421,500.00 reported as investments on the Statement of Net Position, was $2,250,174.97, and the bank balance was $2,323,627.76.

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, 2020, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

B. Investments - 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, the Foundation, are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements.

As of June 30, 2020, the College held certificates of deposit in the amount of $421,500.00. Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note.

NOTE 3 - 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.

Earned interest on held certificates of deposits is accrued until such time that a sufficient amount exists whereby a student scholarship can be awarded agreeable to either guidelines set forth by the Foundation Board or by an established contractual relationship between a fund's donor and the College. In no case, however, is it permissible to expend or otherwise compromise the principal balance of any endowed fund without explicit Board approval, authorization, and/or a written agreement between the donor and the College. At June 30, 2020, the endowment net position of $16,508.59 was available to be spent, of which the entire amount was restricted for specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2020, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 177,248.94	$ 42,373.59	$ 134,875.35
Student Sponsors	5,267.50	-	5,267.50
Intergovernmental	12,100.83	-	12,100.83
Investment Earnings	27.68	-	27.68
Total Current Receivables	$ 194,644.95	$ 42,373.59	$ 152,271.36

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2020, is presented as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets, Nondepreciable:				
Land	$ 501,488.02	$ -	$ -	$ 501,488.02
Construction in Progress	420,303.05	12,021.45	432,324.50	-
Total Capital Assets, Nondepreciable	921,791.07	12,021.45	432,324.50	501,488.02
Capital Assets, Depreciable:				
Buildings	15,281,471.57	432,324.50	-	15,713,796.07
Machinery and Equipment	3,232,425.91	50,999.02	100,580.00	3,182,844.93
General Infrastructure	1,210,042.29	-	-	1,210,042.29
Total Capital Assets, Depreciable	19,723,939.77	483,323.52	100,580.00	20,106,683.29
Less Accumulated Depreciation for:				
Buildings	5,468,039.96	273,736.56	-	5,741,776.52
Machinery and Equipment	1,989,965.13	206,156.93	96,539.88	2,099,582.18
General Infrastructure	273,585.08	23,631.16	-	297,216.24
Total Accumulated Depreciation	7,731,590.17	503,524.65	96,539.88	8,138,574.94
Total Capital Assets, Depreciable, Net	11,992,349.60	(20,201.13)	4,040.12	11,968,108.35
Capital Assets, Net	$ 12,914,140.67	$ (8,179.68)	$ 436,364.62	$12,469,596.37

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2020, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 61,904.23
Accrued Payroll	145,539.08
Total Current Accounts Payable and Accrued Liabilities	$ 207,443.31

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2020, is presented as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Compensated Absences	$ 424,899.61	$323,476.30	$ 292,934.15	$ 455,441.76	$ 43,676.87
Net Pension Liability	3,204,865.00	-	86,484.00	3,118,381.00	-
Net Other Postemployment Benefits Liability	8,040,146.00	230,394.00	-	8,270,540.00	-
Total Long-Term Liabilities	$ 11,669,910.61	$553,870.30	$ 379,418.15	$ 11,844,362.76	$ 43,676.87

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

NOTE 8 - NET POSITION

Unrestricted net position has been significantly affected by transactions resulting from the recognition of deferred outflows of resources, deferred inflows of resources, and related long-term liabilities, as shown in the following table:

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (1,893,282.00)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(11,051,374.00)
Effect on Unrestricted Net Position	(12,944,656.00)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	855,468.50
Total Unrestricted Net Position	$ (12,089,187.50)

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

NOTE 9 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	$1,128,659.19	$ 671,766.64	$ 21,941.24	$ 434,951.31

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 4,123,532.74	$ 695,981.27	$ 6,900.00	$ -	$ -	$ 4,826,414.01
Academic Support	915,794.89	36,108.63	-	-	-	951,903.52
Student Services	632,136.24	28,103.15	-	-	-	660,239.39
Institutional Support	1,668,384.99	441,565.44	20,887.75	-	-	2,130,838.18
Operations and Maintenance of Plant	372,008.33	395,507.49	-	313,364.31	-	1,080,880.13
Student Financial Aid	-	-	1,308,378.28	-	-	1,308,378.28
Auxiliary Enterprises	-	16,647.38	-	-	-	16,647.38
Depreciation	-	-	-	-	503,524.65	503,524.65
Total Operating Expenses	$ 7,711,857.19	$ 1,613,913.36	$1,336,166.03	$ 313,364.31	$ 503,524.65	$11,478,825.54

Included in the scholarship and fellowship function are student financial aid operating expenses for emergency financial aid payments to eligible students. These payments are for expenses related to the disruption of campus operations due to the coronavirus of $71,300.00 provided by the CARES Act – Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the College in providing the student awards, the related program activity is reported as nonoperating Federal Aid – COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 9.

NOTE 11 - PENSION PLANS

Defined Benefit Plan

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

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General

Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2020 was 12.97% of covered payroll. Employee contributions to the pension plan were $306,024.98, and the College's contributions were $661,524.00 for the year ended June 30, 2020.

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 2019 *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 2019 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2020, the College reported a liability of $3,118,381.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total pension liability to June 30, 2019. 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, 2019, the College's proportion was 0.03008%, which was a decrease of 0.00211 from its proportion measured as of June 30, 2018, which was 0.03219%.

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	12/31/2018
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, 2018 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, 2019 (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, 2019 is 1.4%.

Discount Rate: The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2018 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, 2019 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%)
$ 5,935,145.87	$ 3,118,381.00	$ 755,473.64

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2020, the College recognized pension expense of $1,110,347.00. At June 30, 2020, 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	$ 260,849.00	$ 6,243.00
Changes of Assumptions	332,276.00	-
Net Difference Between Projected and Actual Earnings on Plan Investments	59,775.00	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	13,437.00	96,519.00
Contributions Subsequent to the Measurement Date	661,524.00	-
Total	$ 1,327,861.00	$ 102,762.00

The amount 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, 2021. 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
2021	$ 434,571.00
2022	77,262.00
2023	30,832.00
2024	20,910.00
Total	$ 563,575.00

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

The College participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2019 *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 2019 *Comprehensive Annual Financial Report.*

B. Plan Descriptions

1. Health Benefits

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

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

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

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 13. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, the 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, 2020 was 6.47% of covered payroll. The College's contributions to the RHBF were $329,996.94 for the year ended June 30, 2020.

2. Disability Income

Plan Administration: As discussed in Note 13, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, LEAs which are not part of the reporting entity, and the 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, 2020 was 0.10% of covered payroll. The College's contributions to DIPNC were $5,100.42 for the year ended June 30, 2020.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2020, the College reported a liability of $8,270,540.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2019. 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, 2019, the College's proportion was 0.02614%, which was a decrease of 0.00208 from its proportion measured as of June 30, 2018, which was 0.02822%.

Net OPEB Asset: At June 30, 2020, the College reported an asset of $11,301.00 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2019. 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, 2019, the College's proportion was 0.02619%, which was a decrease of 0.00182 from its proportion measured as of June 30, 2018, which was 0.02801%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2019 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2018	12/31/2018
Inflation	3.00%	3.00%
Salary Increases*	3.50% - 8.10%	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	9.50% grading down to 5.00% by 2028	9.50% grading down to 5.00% by 2028
Healthcare Cost Trend Rate - Medicare Advantage	6.50% grading down to 5.00% by 2024	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, 2019.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2019 (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, 2019 is 1.4%.

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, 2018 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 3.50%. 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 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019.

The discount rate used to measure the total OPEB liability 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 liability.

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 (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
RHBF	$ 9,828,421.73	$ 8,270,540.00	$ 7,023,181.75
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	$ (9,571.33)	$ (11,301.00)	$ (12,981.36)

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:

Net OPEB Liability (Asset)

	1% Decrease (Medical - 4.00% - 5.50%, Pharmacy - 4.00% - 8.50%, Med. Advantage - 4.00% - 5.50%, Administrative - 2.00%)	Current Healthcare Cost Trend Rates (Medical - 5.00% - 6.50%, Pharmacy - 5.00% - 9.50%, Med. Advantage - 5.00% - 6.50%, Administrative - 3.00%)	1% Increase (Medical - 6.00% - 7.50%, Pharmacy - 6.00% - 10.50%, Med. Advantage - 6.00% - 7.50%, Administrative - 4.00%)
RHBF	$ 6,810,184.93	$ 8,270,540.00	$ 10,190,736.77

	1% Decrease (Medical - 4.00% - 5.50%, Pharmacy - 4.00% - 8.50%)	Current Healthcare Cost Trend Rates (Medical - 5.00% - 6.50%, Pharmacy - 5.00% - 9.50%)	1% Increase (Medical - 6.00% - 7.50%, Pharmacy - 6.00% - 10.50%)
DIPNC	$ (11,331.36)	$ (11,301.00)	$ (11,282.39)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2020, the College recognized OPEB contra-expense of $254,961.00 for RHBF and expense of $11,699.00 for DIPNC, resulting in a total OPEB contra-expense of $243,262.00. At June 30, 2020, 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	$ -	$ 11,545.00	$ 11,545.00
Changes of Assumptions	397,521.00	1,252.00	398,773.00
Net Difference Between Projected and Actual Earnings on Plan Investments	5,508.00	2,153.00	7,661.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	314,156.06	3,598.58	317,754.64
Contributions Subsequent to the Measurement Date	329,996.94	5,100.42	335,097.36
Total	$ 1,047,182.00	$ 23,649.00	$ 1,070,831.00

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 416,939.00	$ -	$ 416,939.00
Changes of Assumptions	2,486,487.00	1,159.00	2,487,646.00
Net Difference Between Projected and Actual Earnings on Plan Investments	-	-	-
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	924,590.00	-	924,590.00
Total	$ 3,828,016.00	$ 1,159.00	$ 3,829,175.00

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, 2021. 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
2021	$ (925,081.00)	$ 5,562.00
2022	(925,081.00)	3,727.00
2023	(924,285.00)	2,851.00
2024	(263,890.00)	1,960.00
2025	(72,493.94)	2,525.00
Thereafter	-	764.58
Total	$ (3,110,830.94)	$ 17,389.58

NOTE 13 - RISK MANAGEMENT

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

A. 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 12, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

Short-term and long-term disability benefits are provided to College employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the College up to the first six months of benefits and reimbursed by DIPNC for any additional short-term benefits. As discussed in Note 12, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

C. Other Risk Management and Insurance Activities

1. Automobile

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. The 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. Losses from county and institutional fund paid employees are covered by private insurance carriers.

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the College

The College purchased other authorized coverage from private insurance companies in the current fiscal year regrading cybercrime and fraud protection. As part of the College's risk mitigation plan, coverage pertaining to security and liability regulatory action, event management, and cyber extortion was acquired. Coverage limits for each component range from $500,000 to $1,000,000.

NOTE 14 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were $25,523.50 at June 30, 2020.

NOTE 15 - THE CORONAVIRUS PANDEMIC EMERGENCY

In response to the coronavirus pandemic emergency, actions were taken by the College in March 2020 to reduce the spread of the coronavirus disease (COVID-19) and to provide for the health and safety of students, faculty, and staff.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act included various relief and recovery aid programs to address COVID-19 expenses and the costs incurred and revenue lost due to the actions taken to reduce the spread of COVID-19. For the College, these programs included the Coronavirus Relief Fund (CRF) administered by the U.S. Department of Treasury and made available directly to state and local governments and the Higher Education Emergency Relief Fund (HEERF) administered by the U.S. Department of Education and made available directly to universities and colleges.

The revenues from these programs are contingent upon meeting the terms and conditions of the programs and signed agreements with the funding agencies, are recognized when qualifying expenditures are incurred, funds are used for intended purposes, and other eligibility requirements are met, and are reported in the following revenue captions of the financial statements:

Nonoperating Revenue:

State Aid - Coronavirus Relief Fund - This caption includes funds received from the CARES Act - CRF that were appropriated by the State of North Carolina in House Bill 1043 to the Community College System Office (System Office) and allocated to the colleges to cover COVID-19 expenses. These funds are reported separately from Federal Aid - COVID-19 revenues due to the reporting requirements of the State of North Carolina. As of June 30, funds have been allocated for Small Business Center Counseling, College Career Counselors and Academic Advisory, and Virtual Student Tutoring. The CRF funds must be used to cover allowable costs that were incurred between March 1, 2020 and December 31, 2021.

Federal Aid - COVID-19 - This caption includes funds received from the CARES Act, other than the CRF funds appropriated in House Bill 1043 as follows:

The HEERF funds provided include: a student allocation to provide for emergency financial aid grants to students for expenses related to the disruption of campus operations due to COVID-19 and an institutional allocation to cover costs associated with significant changes to the delivery of instruction due to COVID-19 including the recovery of revenue lost due to those changes. The HEERF funds must be expended within one year of the grant award notification date.

Summary of State and Federal Aid - COVID-19 Revenue Activities for the Fiscal Year Ended June 30, 2020:

Program	Total Authorized Award	Earned Revenue	Unearned Revenue (1)
State Aid - Coronavirus Relief Fund:			
CRF - Community College System Office Allocations	$ 100,168.00	$ 100,168.00	$ -
Federal Aid - COVID-19:			
HEERF - Student Allocation	$ 261,175.00	$ 71,300.00	$ -
HEERF - Institutional Allocation (2)	261,174.00	71,300.00	50,001.21
Total Federal Aid - COVID-19	N/A	$ 142,600.00	$ 50,001.21

(1) The Unearned Revenue Column represents funds that have been received as of June 30th for which incurred qualifying expenditures/uses of funds or other eligibility requirements for reporting as earned revenue have not yet been met including specified grantor/provider requirements.

(2) While the HEERF Institutional Portion is accounted for and recognized independently from the HEERF Student Portion, the CARES Act has a “Use of Funds” requirement that no less than 50% of the total HEERF Student and Institutional Portion funds must be used for emergency financial aid grants to students. This “Use of Funds” limitation is a contingency that limits the revenue recognized from the institutional portion to amounts spent and recognized for the student portion. Thus, amounts used and received for the institutional portion that are in excess of the amount expended and received for the student portion are reported as unearned revenue in the amount of $50,001.21. The institution believes that the “Use of Funds” requirement will be fully met by the end of the program.

NOTE 16 - BLENDED COMPONENT UNIT

Condensed combining information for the College’s blended component unit for the year ended June 30, 2020, is presented as follows:

Condensed Statement of Net Position

June 30, 2020

	TCCC	TCCC Foundation	Total
ASSETS			
Current Assets	$ 2,070,273.25	$ 224,679.42	$ 2,294,952.67
Capital Assets, Net	12,469,596.37	-	12,469,596.37
Other Noncurrent Assets	29,301.00	197,914.70	227,215.70
Total Assets	14,569,170.62	422,594.12	14,991,764.74
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,398,692.00	-	2,398,692.00
LIABILITIES			
Current Liabilities	363,591.14	500.50	364,091.64
Long-Term Liabilities	11,800,685.89	-	11,800,685.89
Total Liabilities	12,164,277.03	500.50	12,164,777.53
TOTAL DEFERRED INFLOWS OF RESOURCES	3,931,937.00	-	3,931,937.00
NET POSITION			
Investment in Capital Assets	12,469,596.37	-	12,469,596.37
Restricted - Nonexpendable	18,000.00	201,157.70	219,157.70
Restricted - Expendable	555,753.59	138,422.05	694,175.64
Unrestricted	(12,171,701.37)	82,513.87	(12,089,187.50)
Total Net Position	$ 871,648.59	$ 422,093.62	$ 1,293,742.21

Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2020

	TCCC	TCCC Foundation	Total
OPERATING REVENUES			
Student Tuition and Fees, Net	$ 434,951.31	$ -	$ 434,951.31
State and Local Grants and Contracts	39,999.96	-	39,999.96
Sales and Services	37,311.43	-	37,311.43
Other Operating Revenues	44,689.50	6,500.00	51,189.50
Total Operating Revenues	556,952.20	6,500.00	563,452.20
OPERATING EXPENSES			
Operating Expenses	10,943,784.88	31,516.01	10,975,300.89
Depreciation	503,524.65	-	503,524.65
Total Operating Expenses	11,447,309.53	31,516.01	11,478,825.54
Operating Loss	(10,890,357.33)	(25,016.01)	(10,915,373.34)
NONOPERATING REVENUES (EXPENSES)			
State Aid	6,978,338.89	-	6,978,338.89
State Aid - Coronavirus Relief Fund	100,168.00	-	100,168.00
County Appropriations	1,180,524.04	-	1,180,524.04
Student Financial Aid	1,916,806.64	-	1,916,806.64
Federal Aid - COVID-19	142,600.00	-	142,600.00
Noncapital Contributions	450,047.89	9,221.18	459,269.07
Investment Income	745.12	270.72	1,015.84
Other Nonoperating Expenses	(3,473.73)	-	(3,473.73)
Net Nonoperating Revenues	10,765,756.85	9,491.90	10,775,248.75
Capital Contributions	91,536.44	731.00	92,267.44
Additions to Endowments	-	12.00	12.00
Total Other Revenues	91,536.44	743.00	92,279.44
Decrease in Net Position	(33,064.04)	(14,781.11)	(47,845.15)
NET POSITION			
Net Position, July 1, 2019	904,712.63	436,874.73	1,341,587.36
Net Position, June 30, 2020	$ 871,648.59	$ 422,093.62	$ 1,293,742.21

Condensed Statement of Cash Flows June 30, 2020

	TCCC	TCCC Foundation	Total
Net Cash Used by Operating Activities	$ (10,519,181.65)	$ (24,517.66)	$ (10,543,699.31)
Total Cash Provided by Noncapital Financing Activities	10,818,825.52	9,233.18	10,828,058.70
Net Cash Provided by Capital and Related Financing Activities	28,515.97	731.00	29,246.97
Total Cash Provided by Investing Activities	749.53	277.99	1,027.52
Net Increase (Decrease) in Cash and Cash Equivalents	328,909.37	(14,275.49)	314,633.88
Cash and Cash Equivalents, July 1, 2019	1,349,442.24	165,348.85	1,514,791.09
Cash and Cash Equivalents, June 30, 2020	$ 1,678,351.61	$ 151,073.36	$ 1,829,424.97

NOTE 17 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2020, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 89, Accounting for Interest Costs Incurred before the End of a Construction Period

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

GASB Statement No. 89 establishes accounting requirement for interest costs incurred before the end of a construction period. Interest costs incurred before the end of a construction period are to be recognized as an expense in the period in which the costs are incurred for financial statements prepared using the economic resources measurement focus. Interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity. The requirements of this Statement have been applied prospectively.

GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for period beginning after June 15, 2018 and later.

Required Supplementary Information

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

Exhibit B-1

Teachers' and State Employees' Retirement System	**2020**	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net Pension Liability	0.03008%	0.03219%	0.03332%	0.03287%
Proportionate Share of TSERS Collective Net Pension Liability	$ 3,118,381.00	$ 3,204,865.00	$ 2,643,756.00	$ 3,021,093.00
Covered Payroll	$ 4,915,654.93	$ 5,029,591.84	$ 5,112,603.93	$ 4,880,706.70
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	63.44%	63.72%	51.71%	61.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.56%	87.61%	89.51%	87.32%

	2016	**2015**	**2014**
Proportionate Share Percentage of Collective Net Pension Liability	0.03420%	0.03200%	0.03030%
Proportionate Share of TSERS Collective Net Pension Liability	$ 1,260,338.00	$ 375,175.00	$ 1,839,519.00
Covered Payroll	$ 4,799,851.67	$ 4,501,764.52	$ 4,470,379.80
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	26.26%	8.33%	41.15%
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.

Tri-County 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	**2020**	**2019**	**2018**	**2017**	**2016**
Contractually Required Contribution	$ 661,524.00	$ 604,133.99	$ 542,190.19	$ 510,237.87	$ 446,584.66
Contributions in Relation to the Contractually Determined Contribution	661,524.00	604,133.99	542,190.19	510,237.87	446,584.66
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 5,100,416.35	$ 4,915,654.93	$ 5,029,591.84	$ 5,112,603.93	$ 4,880,706.70
Contributions as a Percentage of Covered Payroll	12.97%	12.29%	10.78%	9.98%	9.15%

	2015	**2014**	**2013**	**2012**	**2011**
Contractually Required Contribution	$ 439,186.43	$ 391,203.34	$ 372,382.64	$ 312,619.26	$ 218,969.72
Contributions in Relation to the Contractually Determined Contribution	439,186.43	391,203.34	372,382.64	312,619.26	218,969.72
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,799,851.67	$ 4,501,764.52	$ 4,470,379.80	$ 4,201,871.82	$ 4,441,576.47
Contributions as a Percentage of Covered Payroll	9.15%	8.69%	8.33%	7.44%	4.93%

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

Tri-County Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2020

Changes of Benefit Terms:

Cost of Living Increase

Teachers' and State Employees'	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Retirement System	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	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 2019 *Comprehensive Annual Financial Report*.

N/A - Not Applicable

Tri-County 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 Four Fiscal Years**

Exhibit B-3

Retiree Health Benefit Fund	**2020**	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability	0.02614%	0.02822%	0.02719%	0.02820%
Proportionate Share of Collective Net OPEB Liability	$ 8,270,540.00	$ 8,040,146.00	$ 8,916,042.00	$ 12,267,959.00
Covered Payroll	$ 4,915,654.93	$ 5,029,591.84	$ 5,112,603.93	$ 4,880,706.70
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	168.25%	159.86%	174.39%	251.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina				
Proportionate Share Percentage of Collective Net OPEB Asset	0.02619%	0.02801%	0.02898%	0.02886%
Proportionate Share of Collective Net OPEB Asset	$ 11,301.00	$ 8,508.00	$ 17,713.00	$ 17,922.00
Covered Payroll	$ 4,915,654.93	$ 5,029,591.84	$ 5,112,603.93	$ 4,880,706.70
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.23%	0.17%	0.35%	0.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	113.00%	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.

Tri-County 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	**2020**	**2019**	**2018**	**2017**	**2016**
Contractually Required Contribution	$ 329,996.94	$ 308,211.56	$ 304,290.31	$ 297,042.29	$ 273,319.58
Contributions in Relation to the Contractually Determined Contribution	329,996.94	308,211.56	304,290.31	297,042.29	273,319.58
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 5,100,416.35	$ 4,915,654.93	$ 5,029,591.84	$ 5,112,603.93	$ 4,880,706.70
Contributions as a Percentage of Covered Payroll	6.47%	6.27%	6.05%	5.81%	5.60%

	2015	**2014**	**2013**	**2012**	**2011**
Contractually Required Contribution	$ 263,511.86	$ 243,095.28	$ 236,930.13	$ 210,093.59	$ 217,637.25
Contributions in Relation to the Contractually Determined Contribution	263,511.86	243,095.28	236,930.13	210,093.59	217,637.25
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,799,851.67	$ 4,501,764.52	$ 4,470,379.80	$ 4,201,871.82	$ 4,441,576.47
Contributions as a Percentage of Covered Payroll	5.49%	5.40%	5.30%	5.00%	4.90%

Disability Income Plan of North Carolina	**2020**	**2019**	**2018**	**2017**	**2016**
Contractually Required Contribution	$ 5,100.42	$ 6,881.92	$ 7,041.43	$ 19,427.89	$ 20,101.90
Contributions in Relation to the Contractually Determined Contribution	5,100.42	6,881.92	7,041.43	19,427.89	20,101.90
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 5,100,416.35	$ 4,915,654.93	$ 5,029,591.84	$ 5,112,603.93	$ 4,880,706.70
Contributions as a Percentage of Covered Payroll	0.10%	0.14%	0.14%	0.38%	0.41%

	2015	**2014**	**2013**	**2012**	**2011**
Contractually Required Contribution	$ 19,679.39	$ 19,807.76	$ 19,669.67	$ 21,849.73	$ 23,096.20
Contributions in Relation to the Contractually Determined Contribution	19,679.39	19,807.76	19,669.67	21,849.73	23,096.20
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,799,851.67	$ 4,501,764.52	$ 4,470,379.80	$ 4,201,871.82	$ 4,441,576.47
Contributions as a Percentage of Covered Payroll	0.41%	0.44%	0.44%	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.

Tri-County Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2020

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.

Effective January 1, 2019, benefit terms related to copays, out-of-pockets maximums, and deductibles were changes for one of four options of the RHBF. Out of pocket maximums increased while certain specialist copays decreased related to option benefits.

Additionally, the December 31, 2017 Disability Income Plan of North Carolina (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.

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 College 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 DIPNC. See Note 12 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the State Health Plan adopted a number of new actuarial assumptions and methods for the 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.

For the actuarial valuation measured as of June 30, 2019, the discount rate for the RHBF was updated to 3.5%. Disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claims were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations amount RHBF plan options over the next four years. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset for the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of disability.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2019 *Comprehensive Annual Financial Report* .

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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

Board of Trustees
Tri-County Community College
Murphy, 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 Tri-County Community College (College), a component unit of the State of North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 3, 2021. Our report includes a reference to other auditors who audited the financial statements of Tri-County Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Tri-County Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with Tri-County Community College Foundation, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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

February 3, 2021

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NCOSA
The Taxpayers' Watchdog

This audit required 399.5 hours at an approximate cost of $41,548.