

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR  
BETH A. WOOD, CPA



## SAMPSON COMMUNITY COLLEGE

CLINTON, NORTH CAROLINA  
FINANCIAL STATEMENT AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2020

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



**NCOSA**  
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

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## AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Sampson Community College for the year ended June 30, 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.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor



Beth A. Wood, CPA  
State Auditor

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# **INDEPENDENT AUDITOR'S REPORT**

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
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## **INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Sampson Community College  
Clinton, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of Sampson Community College (College), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of Sampson Community College Foundation, Inc., the College's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for Sampson Community College Foundation, Inc., are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Sampson Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Sampson Community College, and its discretely presented component unit, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 25, 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 25, 2021



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Purpose**

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

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

**Statement of Net Position**

The following table is prepared from the College's Statement of Net Position. It summarizes and compares the College's assets and deferred outflows on June 30, 2020 and June 30, 2019.

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Variance</u>	<u>Variance %</u>
Assets:				
Current Assets	\$ 2,723,952.92	\$ 2,469,255.10	\$ 254,697.82	10.31%
Noncurrent Assets:				
Capital Assets, Net	16,732,132.02	14,351,915.59	2,380,216.43	16.58%
Other	226,965.44	107,755.43	119,210.01	110.63%
Total Assets	<u>\$ 19,683,050.38</u>	<u>\$ 16,928,926.12</u>	<u>\$ 2,754,124.26</u>	16.27%
Deferred Outflows of Resources:				
Related to Pensions	\$ 1,907,190.00	\$ 2,536,494.00	\$ (629,304.00)	-24.81%
Related to OPEB	1,219,760.00	657,603.00	562,157.00	85.49%
Total Deferred Outflows of Resources	<u>\$ 3,126,950.00</u>	<u>\$ 3,194,097.00</u>	<u>\$ (67,147.00)</u>	-2.10%

Deferred outflows of resources is a consumption of net assets by the government that is applicable to a future reporting period and has a positive effect on net position similar to assets. Deferred outflows of resources consisted of employer contributions for pensions and other postemployment benefits (OPEB) made during the current fiscal year applicable to a future reporting period and differences between the employer's actual contributions and proportionate share of contributions attributable to the measurement period. Deferred outflows of resources decreased by \$67,147.00 primarily due to differences between actual and expected experience and changes in actuarial assumptions. See Notes 11 and 12 of the Notes to the Financial Statements for further details.

**Institutional Assets**

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

<u>Current Assets</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Variance</u>	<u>Variance %</u>
Cash and Cash Equivalents	\$ 1,718,462.10	\$ 921,159.48	\$ 797,302.62	86.55%
Restricted Cash and Cash Equivalents	680,329.73	1,176,671.17	(496,341.44)	-42.18%
Short-Term Investments	115,395.43	115,350.90	44.53	0.04%
Receivables, Net	48,538.12	95,126.08	(46,587.96)	-48.97%
Inventories	160,952.79	160,672.72	280.07	0.17%
Notes Receivable	274.75	274.75	-	0.00%
Total Current Assets	<u>\$ 2,723,952.92</u>	<u>\$ 2,469,255.10</u>	<u>\$ 254,697.82</u>	10.31%

Current cash and cash equivalents increased \$797,302.62 mostly due to the COVID-19 pandemic and the resulting reduction in spending during the fourth quarter of fiscal year 2020 which resulted in higher cash balances than fiscal year 2019. The College also realized increases of \$105,819.38 in county current cash, \$58,195.49 in wireless broadband service income, and \$46,455.73 in bookstore income. Due to a prior year contract retainage payable of \$506,005.86, which was paid in the current year, the College's restricted cash and cash equivalents decreased by \$496,341.44.

Noncurrent assets include restricted cash and cash equivalents, other investments, net OPEB asset, and capital assets, net.

<u>Noncurrent Assets</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Variance</u>	<u>Variance %</u>
Restricted Cash and Cash Equivalents	\$ 115,555.44	\$ 963.43	\$ 114,592.01	11894.17%
Other Investments	95,000.00	95,000.00	-	0.00%
Net OPEB Asset	16,410.00	11,792.00	4,618.00	39.16%
Capital Assets, Net	16,732,132.02	14,351,915.59	2,380,216.43	16.58%
Total Noncurrent Assets	<u>\$ 16,959,097.46</u>	<u>\$ 14,459,671.02</u>	<u>\$ 2,499,426.44</u>	17.29%

The College's capital assets, net increased by \$2,380,216.43. The College had \$4,441,190.22 of additions to capital assets, depreciable, which includes the reclassification of \$3,701,142.87 from construction in progress. The majority of this reclassification was \$3,487,224.60 for the College's Welding Building. Machinery and equipment also increased by \$755,230.95 as a result of outfitting the new Welding Building. Depreciation expense in the amount of \$723,185.45 was incurred for the fiscal year.

**Institutional Liabilities**

The College's liabilities are divided between current liabilities payable within one year and noncurrent liabilities that extend beyond one year. Long-term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year. Accrued employee annual leave is calculated at the current salary rates for each employee, consistent with the College's leave policies. Accounts payable and accrued liabilities decreased \$496,184.94 primarily due to a \$506,005.86 decrease in contracts retainage payables related to construction in progress vendors for the College's Welding Building that was completed during the year.

Long-term liabilities increased by \$1,136,492.74, the majority of which is due to a change in actuarial assumptions for the net OPEB liability. For more information, see Note 12 of the Notes to the Financial Statements.

Liabilities	6/30/2020	6/30/2019	Variance	Variance %
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Liabilities	\$ 205,077.74	\$ 701,262.68	\$ (496,184.94)	-70.76%
Unearned Revenue	36,901.60	43,405.01	(6,503.41)	-14.98%
Funds Held for Others	52,657.75	42,975.74	9,682.01	22.53%
Long-Term Liabilities - Current Portion	99,272.56	90,655.57	8,616.99	9.51%
<b>Noncurrent Liabilities:</b>				
Long-Term Liabilities	16,821,708.53	15,685,215.79	1,136,492.74	7.25%
Total Liabilities	<u>\$ 17,215,618.18</u>	<u>\$ 16,563,514.79</u>	<u>\$ 652,103.39</u>	3.94%

**Deferred Inflows of Resources**

Deferred inflows of resources is an acquisition of net assets by the government that is applicable to a future reporting period and has a negative effect on net position similar to liabilities. Deferred inflows of resources consisted of the College's proportionate difference between expected and actual experience and projected and actual investment earnings in the pension plan and OPEB plans. The College's deferred inflows of resources decreased \$1,239,356.00 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

<u>Deferred Inflows of Resources</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Variance</u>	<u>Variance %</u>
Related to Pensions	\$ 86,048.00	\$ 122,063.00	\$ (36,015.00)	-29.51%
Related to OPEB	4,457,035.00	5,660,376.00	(1,203,341.00)	-21.26%
Total Deferred Inflows of Resources	<u>\$ 4,543,083.00</u>	<u>\$ 5,782,439.00</u>	<u>\$ (1,239,356.00)</u>	-21.43%

### Net Position

Net position is a measure of the value of all the College's assets and deferred outflows after liabilities and deferred inflows of resources are deducted. The College's net position increased by \$3,274,229.87 since the prior year. This increase is primarily from the current year construction activities related to the College's new Welding Building, previously discussed.

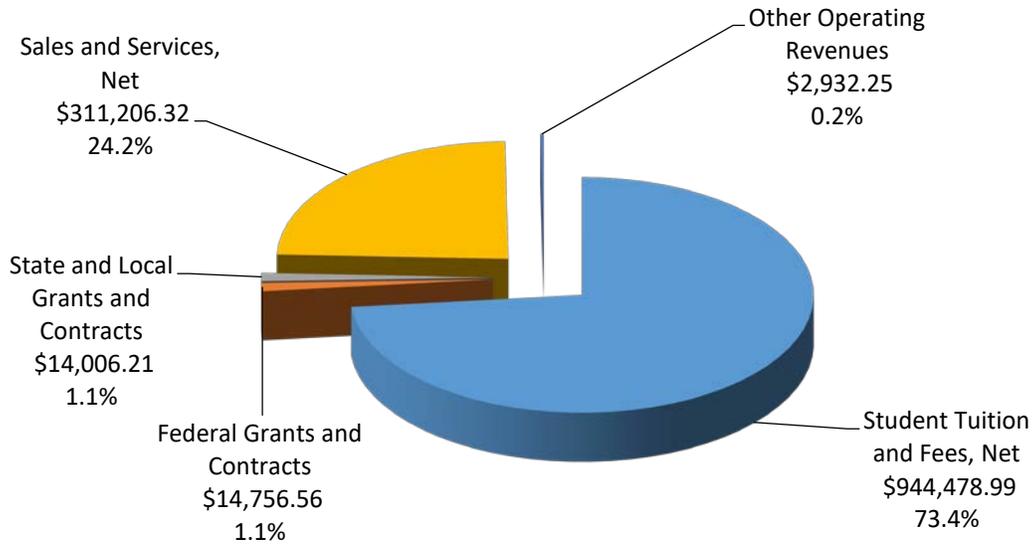
<u>Net Position</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Variance</u>	<u>Variance %</u>
Net Investment in Capital Assets	\$ 16,732,132.02	\$ 13,845,909.73	\$ 2,886,222.29	20.85%
Restricted	788,181.73	1,175,085.33	(386,903.60)	-32.93%
Unrestricted	(16,469,014.55)	(17,243,925.73)	774,911.18	4.10%
Total Net Position	<u>\$ 1,051,299.20</u>	<u>\$ (2,222,930.67)</u>	<u>\$ 3,274,229.87</u>	147.29%

### Revenues

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

Due to the impact of the coronavirus disease (COVID-19) pandemic, the College experienced a decrease in continuing education FTE (full-time equivalent) for the FY 2019-2020, which resulted in a decrease in student tuition and fees received by the College.

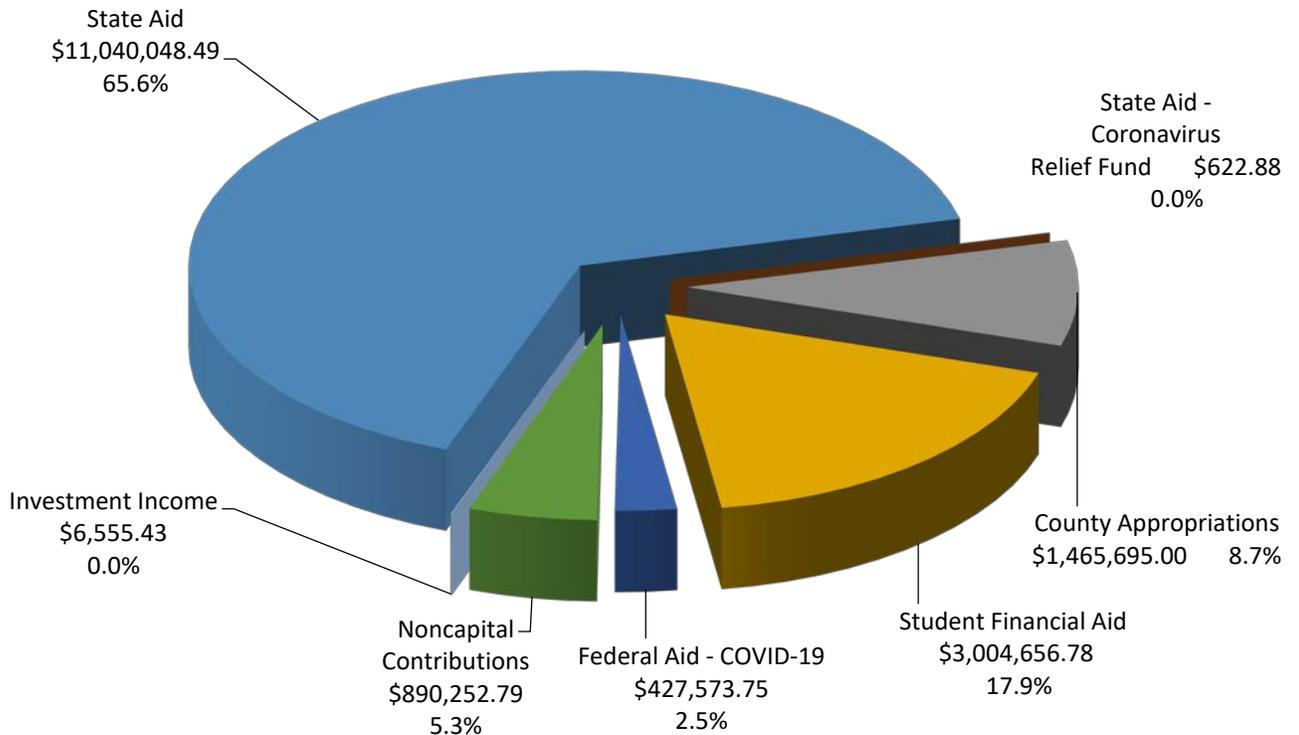
## Operating Revenues



Operating Revenues	6/30/2020	6/30/2019	Variance	Variance %
Student Tuition and Fees, Net	\$ 944,478.99	\$ 1,051,952.53	\$ (107,473.54)	-10.22%
Federal Grants and Contracts	14,756.56	14,376.26	380.30	2.65%
State and Local Grants and Contracts	14,006.21	20,584.08	(6,577.87)	-31.96%
Sales and Services, Net	311,206.32	337,749.00	(26,542.68)	-7.86%
Other Operating Revenues	2,932.25	3,294.40	(362.15)	-10.99%
<b>Total Operating Revenues</b>	<b>\$ 1,287,380.33</b>	<b>\$ 1,427,956.27</b>	<b>\$ (140,575.94)</b>	<b>-9.84%</b>

Nonoperating revenues comprise the major portion of the College's income and include formula allocations from the North Carolina State Board of Community Colleges for current expense, equipment, and capital improvements, as well as funds appropriated from the Sampson County Board of Commissioners. The College received \$845,362.75 more in state aid due to an increase in curriculum FTE in FY 2019-2020 compared to FY 2018-2019. The College also received \$48,195.00 more in county appropriations during the FY 2019-2020. The College received \$336,998.44 more in federal Pell grant money for students in FY 2019-2020, due to an increase in curriculum enrollment, which resulted in an increase in student financial aid. The College received federal aid as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in the amount of \$427,573.75 from the Department of Education to disburse to students that were impacted by the COVID-19 pandemic.

## Nonoperating Revenues

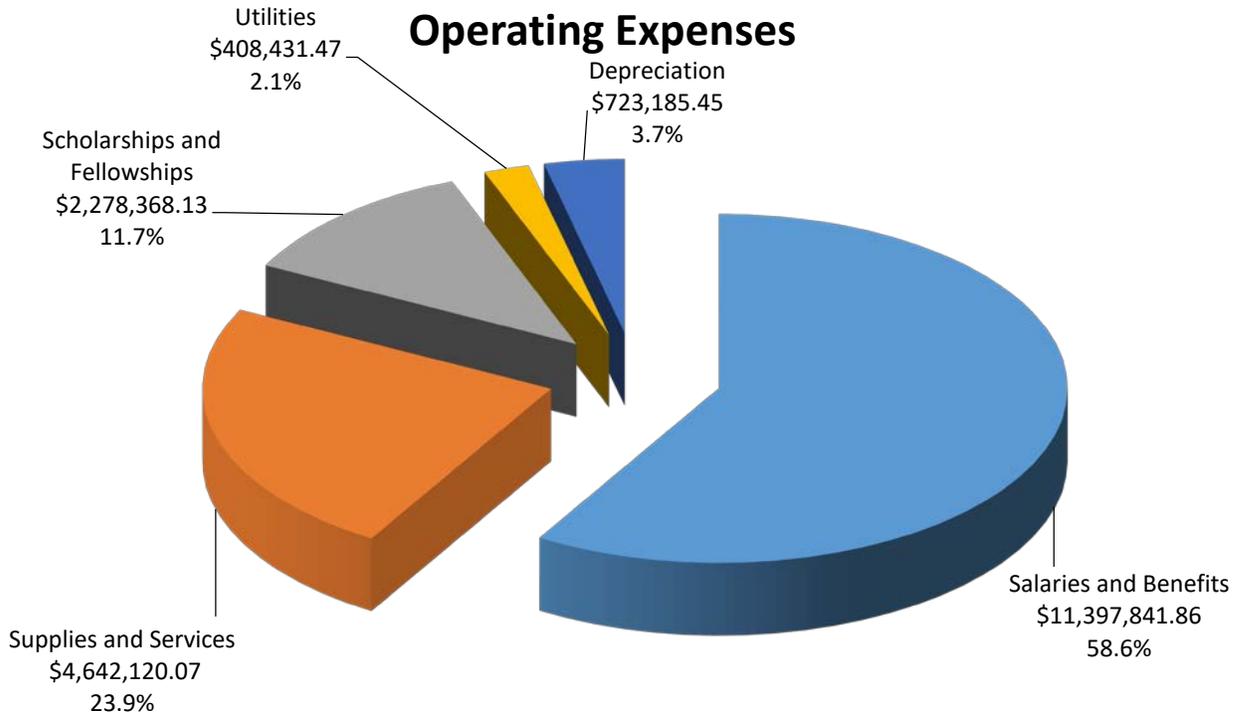


Nonoperating Revenues	6/30/2020	6/30/2019	Variance	Variance %
State Aid	\$ 11,040,048.49	\$ 10,194,685.74	\$ 845,362.75	8.29%
State Aid - Coronavirus Relief Fund	622.88	-	622.88	100.00%
County Appropriations	1,465,695.00	1,417,500.00	48,195.00	3.40%
Student Financial Aid	3,004,656.78	2,655,400.70	349,256.08	13.15%
Federal Aid - COVID-19	427,573.75	-	427,573.75	100.00%
Noncapital Contributions	890,252.79	732,782.82	157,469.97	21.49%
Investment Income	6,555.43	7,126.90	(571.47)	-8.02%
<b>Total Nonoperating Revenues</b>	<b>\$ 16,835,405.12</b>	<b>\$ 15,007,496.16</b>	<b>\$ 1,827,908.96</b>	<b>12.18%</b>

## Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits identified as salaries and benefits. The College had an increase of \$609,819.00 in pension expense from the previous year and gave a 1.5% salary formula experience increase for all full-time faculty and staff, which contributed to salaries and benefits increasing \$915,762.46. Due to an increase in state aid, the College was able to purchase additional supplies and services in FY 2019-2020. The College had an increase in scholarships and fellowships of \$653,310.82. This increase was primarily due to the College disbursing

\$427,573.75 it received from the Department of Education to address the needs of students that were impacted by the COVID-19 pandemic as well as an increase in Pell grants disbursed.



Operating Expenses	6/30/2020	6/30/2019	Variance	Variance %
Salaries and Benefits	\$ 11,397,841.86	\$ 10,482,079.40	\$ 915,762.46	8.74%
Supplies and Services	4,642,120.07	3,496,959.18	1,145,160.89	32.75%
Scholarships and Fellowships	2,278,368.13	1,625,057.31	653,310.82	40.20%
Utilities	408,431.47	390,971.93	17,459.54	4.47%
Depreciation	723,185.45	672,788.61	50,396.84	7.49%
<b>Total Operating Expenses</b>	<b>\$ 19,449,946.98</b>	<b>\$ 16,667,856.43</b>	<b>\$ 2,782,090.55</b>	<b>16.69%</b>

**Other Revenue**

Other revenues are received from appropriations from the North Carolina State Board of Community Colleges under a formula allocation for educational equipment and library books. Sampson County provides capital aid for maintenance equipment and small construction items. Capital contributions are gifts or grants that are restricted for capital purposes only, such as to purchase, construct, or renovate capital assets owned by the College.

<u>Other Revenue</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Variance</u>	<u>Variance %</u>
State Capital Aid	\$ 2,191,226.56	\$ 1,087,762.80	\$ 1,103,463.76	101.44%
County Capital Aid	607,428.84	48,023.00	559,405.84	1164.87%
Capital Contributions	1,802,736.00	265,976.00	1,536,760.00	577.78%
Total Other Revenue	<u>\$ 4,601,391.40</u>	<u>\$ 1,401,761.80</u>	<u>\$ 3,199,629.60</u>	228.26%

The College received \$1,103,463.76 more for state capital certification and \$559,405.84 more for county capital aid than in the prior year, primarily for the Welding Building capital project. The College also received capital contributions of \$61,964.00 from the Sampson Community College Foundation Inc. for the Develop the East capital project and \$1,740,772.00 from the U.S. Economic Development Administration for the Welding Building capital project.

For FY 2019-2020, the College's total revenues were \$22,724,176.85 and total expenses were \$19,449,946.98.

For FY 2018-2019, the College's total revenues were \$17,837,214.23 and total expenses were \$16,667,856.43.

**Significant Effects on Financial Position**

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

1. FY 2020-2021, funds have been allocated for Small Business Center Counseling, College Career Counselors and Academic Advisory, and Virtual Student Tutoring. The Coronavirus Relief Fund (CRF) must be used to cover allowable costs that were incurred between March 1, 2020 and December 31, 2021. This allocation was funded with a one-time CARES Act funds which will be unavailable in subsequent budget years underscoring the concern for potential budget shortfalls.
2. The Office of State Budget and Management (OSBM) budget restrictions enacted in June continue to impose limitations on the College's ability to provide experience increases and institution-wide performance bonuses for staff and faculty.
3. Budget managers must recognize further uncertainty in the institution's budgets as OSBM and the North Carolina Community College System (NCCCS) respond to changes in state revenue and revisions in tax deadlines.
4. While the College has enjoyed sustained enrollment growth in curriculum FTE for the summer and fall term, some curriculum programs are experiencing further enrollment decline.
5. COVID-19 pandemic related closures of Tarheel Challenge and the Correction sites resulted in overwhelming enrollment loss in basic skills courses for the summer term. The resulting shortfall in enrollment will result in significant reduction in funding within the literacy block grant for FY 2021-2022. The College will apply for continued funding from the Adult Education and Family Literacy Act for FY 2021-2022, FY 2022-2023,

and FY 2023-2024. With enrollment loss, federal funding will be needed to sustain the program during the enrollment downturn.

6. Enrollment in occupational extension classes fell dramatically during the summer term. At this time, fall enrollment levels are projected to recover but may not reach FY 2020-2021 levels. The College's enrollment funding in this program area is anticipated to rely on the NCCCS funding formula protection of two-year averaging.
7. The College's curriculum enrollment relies upon students from the Sampson Early College High School (ECHS) and Career and College Promise (CCP) students from Clinton City and Sampson County Schools. For the fall semester, ECHS students have not been on the campus, have been enrolled completely online, and not provided the face-to-face support and expectation of ECHS faculty and staff. The continued enrollment of these students at current levels can be questioned. Similarly, CCP student enrollment has not reached FY 2020-2021 levels. COVID-19 related stresses may result in further enrollment decline among these populations.
8. The College continues to experience increases in the costs of operation of the physical plant beyond annual funding increases provided by the Sampson County Board of Commissioners requiring the continued practice of reducing the number of plant operations staff and allowing lapses in employment in these positions as a strategy to meet the increases in costs of utilities and personnel benefits. This practice is not sustainable.
9. Economic Development Administration funding (\$2.8 million), remaining NC Connect Bond Fund (\$1.9 million), and private contributions are expected to allow the construction of a transportation annex site in the industrial park. Some additional capital expenses may remain.
10. Significant maintenance and repair projects continue to present themselves which are not addressable with the current revenue stream.

### **Economic Forecast**

North Carolina's economy is projected to experience significant growth in 2021 across all economic sectors as the disruption imposed by the COVID-19 pandemic lessens over the year and schools and retail businesses return to more normal operations. The rate of this return is dependent upon the rapidity of the state's efforts to vaccinate a sufficient number of North Carolinians and citizens' compliance. North Carolina unemployment rates are expected to decline across the year as economic recovery becomes more sustained with unemployment projected to fall to 3.6% by the end of the calendar year with job expansion of over 241,000 jobs for the year. Gross State Product is expected to reflect economic growth of 4.5% for the calendar year.

CBO’s Economic Projections for 2020 and 2021

Percent

	2020				Annual Rate <sup>a</sup>	
	Actual, Q1	Q2	Q3	Q4	2020	2021
Growth of Real GDP <sup>b</sup>						
Since previous quarter	-1.2	-11.2	5.0	2.5	n.a.	n.a.
Annual rate	-4.8	-37.7	21.5	10.4	-5.6	4.2
Growth of Nominal GDP						
Since previous quarter	-0.9	-11.5	5.1	2.6	n.a.	n.a.
Annual rate	-3.5	-38.7	22.2	10.9	-5.4	5.7
Inflation						
Change in the PCE price index (Annual rate)	1.3	-1.2	1.1	1.3	0.6	1.5
Change in the GDP price index (Annual rate)	1.3	-1.5	0.6	0.4	0.2	1.4
Unemployment Rate	3.8	15.1	15.8	11.5	11.5	9.3 <sup>c</sup>
Interest Rates						
3-month Treasury bills	1.1	0.1	0.1	0.1	0.4	0.1
10-year Treasury notes	1.4	0.7	0.8	0.9	0.9	1.0

Sources: Congressional Budget Office; Bureau of Economic Analysis; Bureau of Labor Statistics; Federal Reserve.

GDP = gross domestic product; PCE = personal consumption expenditures; n.a. = not applicable.

a. For growth of real GDP, growth of nominal GDP, and inflation, annual rates are measured from the fourth quarter of one calendar year to the fourth quarter of the next. For the unemployment rate and interest rates, annual rates are annual averages.

b. Real values are nominal values that have been adjusted to remove the effects of changes in prices.

c. The value for the fourth quarter of 2021 is 8.6 percent.

The disruption of classes and programs imposed by the COVID-19 pandemic restrictions in the spring, summer, and fall of 2020 have contributed to College’s enrollment losses which will impact the College’s FY 2021-2022 state formula allocation. Funding formula projections indicate the College’s state current expense funding to be reduced by over \$500,000.00. The College’s projected loss is proportional in size to many NCCCS institutions and, through management practices that anticipated the shortfall, is not expected to require significant changes in staffing or operations to conform the budget to expected revenue.

Revised State Fiscal Year 2021 Revenue Declines



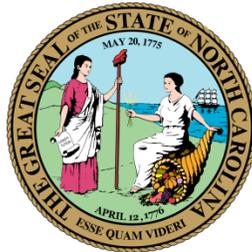
National Conference of State Legislatures

The General Assembly of North Carolina utilized federal CARES Act funding as part of the state’s FY 2020-2021 budget, allocated for Small Business Center Counseling, College Career

Counselors and Academic Advisory, and Virtual Student Tutoring. These funds are non-recurring and must be used by December 31, 2021. While ongoing national discussion continues about further stimulus funding, states and local governments now contemplate subsequent budgets fully exposed to declining revenues. North Carolina universities and community colleges should anticipate budget reductions which track revenue shortfalls to the general fund. While North Carolina's Rainy-Day fund remains solvent, political consensus on its use for financial shortfalls apart from those experienced in natural disasters is not evident.

The state's agricultural sector is expected to lead all economic sectors with growth of over 21% in FY 2020-2021. Sampson County's tax revenues, cautiously predicted to decline in FY 2020-2021, exceeded collections allowing mid-year increases in county funding for outside agencies such as Sampson Community College. Sampson County revenue sources are expected to remain stable in FY 2021-2022 providing sufficient operational support for College operations.

Federal funding for student financial aid and categorical federal programs (e.g. Title II funds for basic skills) are not expected to be impacted by the COVID-19 pandemic revenue shortfall.



# FINANCIAL STATEMENTS

**Sampson Community College**  
**Statement of Net Position**  
**June 30, 2020**

**Exhibit A-1**  
**Page 1 of 2**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 1,718,462.10
Restricted Cash and Cash Equivalents	680,329.73
Short-Term Investments	115,395.43
Receivables, Net (Note 4)	48,538.12
Inventories	160,952.79
Notes Receivable	274.75

Total Current Assets	2,723,952.92
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	115,555.44
Other Investments	95,000.00
Net Other Postemployment Benefits Asset	16,410.00
Capital Assets - Nondepreciable (Note 5)	295,733.64
Capital Assets - Depreciable, Net (Note 5)	16,436,398.38

Total Noncurrent Assets	16,959,097.46
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Total Assets	19,683,050.38
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to Pensions	1,907,190.00
Deferred Outflows Related to Other Postemployment Benefits (Note 12)	1,219,760.00

Total Deferred Outflows of Resources	3,126,950.00
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**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	205,077.74
Unearned Revenue	36,901.60
Funds Held for Others	52,657.75
Long-Term Liabilities - Current Portion (Note 7)	99,272.56

Total Current Liabilities	393,909.65
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Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	16,821,708.53
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Total Liabilities	17,215,618.18
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pensions	86,048.00
Deferred Inflows Related to Other Postemployment Benefits (Note 12)	4,457,035.00

Total Deferred Inflows of Resources	4,543,083.00
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**Sampson Community College**  
**Statement of Net Position**  
**June 30, 2020**

**Exhibit A-1**  
**Page 2 of 2**

**NET POSITION**

Investment in Capital Assets	16,732,132.02
Restricted:	
Expendable	
Student Financial Aid	45,240.83
Restricted for Departmental Uses	48,362.30
Loans	14,251.26
Capital Projects	106,954.31
Instructional Technology Programs	463,696.35
Restricted for Specific Programs	63,248.89
Other	46,427.79
Unrestricted	<u>(16,469,014.55)</u>
Total Net Position	<u>\$ 1,051,299.20</u>

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

**Sampson Community College**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit A-2**

**OPERATING REVENUES**

Student Tuition and Fees, Net (Note 9)	\$ 944,478.99
Federal Grants and Contracts	14,756.56
State and Local Grants and Contracts	14,006.21
Sales and Services, Net (Note 9)	311,206.32
Other Operating Revenues	2,932.25
	<hr/>
Total Operating Revenues	1,287,380.33

**OPERATING EXPENSES**

Salaries and Benefits	11,397,841.86
Supplies and Services	4,642,120.07
Scholarships and Fellowships	2,278,368.13
Utilities	408,431.47
Depreciation	723,185.45
	<hr/>
Total Operating Expenses	19,449,946.98
	<hr/>
Operating Loss	(18,162,566.65)

**NONOPERATING REVENUES**

State Aid	11,040,048.49
State Aid - Coronavirus Relief Fund	622.88
County Appropriations	1,465,695.00
Student Financial Aid	3,004,656.78
Federal Aid - COVID-19	427,573.75
Noncapital Contributions	890,252.79
Investment Income	6,555.43
	<hr/>
Nonoperating Revenues	16,835,405.12
	<hr/>
Loss Before Other Revenues	(1,327,161.53)
	<hr/>
State Capital Aid	2,191,226.56
County Capital Aid	607,428.84
Capital Contributions	1,802,736.00
	<hr/>
Total Other Revenues	4,601,391.40
	<hr/>
Increase in Net Position	3,274,229.87

**NET POSITION**

Net Position - July 1, 2019	<hr/> (2,222,930.67)
Net Position - June 30, 2020	<hr/> \$ 1,051,299.20

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

**Sampson Community College**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit A-3**  
**Page 1 of 2**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 1,326,505.23
Payments to Employees and Fringe Benefits	(11,393,715.43)
Payments to Vendors and Suppliers	(5,076,853.39)
Payments for Scholarships and Fellowships	(2,278,368.13)
Other Receipts	9,682.01
	<u>9,682.01</u>
Net Cash Used by Operating Activities	<u>(17,412,749.71)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid	11,040,048.49
State Aid - Coronavirus Relief Fund	622.88
County Appropriations	1,465,695.00
Student Financial Aid	3,004,656.78
Federal Aid - COVID-19	427,573.75
Noncapital Contributions	891,211.44
	<u>891,211.44</u>
Cash Provided by Noncapital Financing Activities	<u>16,829,808.34</u>

**CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES**

State Capital Aid	2,191,226.56
County Capital Aid	607,428.84
Capital Contributions	1,802,736.00
Acquisition and Construction of Capital Assets	(3,609,407.74)
	<u>(3,609,407.74)</u>
Net Cash Provided by Capital Financing and Related Financing Activities	<u>991,983.66</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	<u>6,510.90</u>
Cash Provided by Investing Activities	<u>6,510.90</u>
Net Increase in Cash and Cash Equivalents	415,553.19
Cash and Cash Equivalents - July 1, 2019	<u>2,098,794.08</u>
Cash and Cash Equivalents - June 30, 2020	<u>\$ 2,514,347.27</u>

**Sampson Community College**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit A-3**  
**Page 2 of 2**

**RECONCILIATION OF OPERATING LOSS TO  
NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (18,162,566.65)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	723,185.45
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	45,629.31
Inventories	(280.07)
Net Other Postemployment Benefits Asset	(4,618.00)
Deferred Outflows Related to Pensions	629,304.00
Deferred Outflows Related to Other Postemployment Benefits	(562,157.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	9,820.92
Unearned Revenue	(6,503.41)
Funds Held for Others	9,682.01
Net Pension Liability	72,280.00
Net Other Postemployment Benefits Liability	1,082,341.00
Compensated Absences	(9,511.27)
Deferred Inflows Related to Pensions	(36,015.00)
Deferred Inflows Related to Other Postemployment Benefits	(1,203,341.00)
Net Cash Used by Operating Activities	<u>\$ (17,412,749.71)</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Change in Fair Value of Investments	44.53
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The accompanying notes to the financial statements are an integral part of this statement.

**Sampson Community College Foundation, Inc.**  
**Statement of Financial Position**  
**June 30, 2020**

**Exhibit B-1**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 1,397,582
Certificate of Deposit	100,152
Cash and Investments, Board Designated	348,050
Investments, Other	1,011,490
Promises to Give	<u>57,521</u>
Total Current Assets	<u>2,914,795</u>

**OTHER ASSETS**

Investments Restricted in Perpetuity	983,537
Land	<u>4,446</u>
Total Other Assets	<u>987,983</u>
Total Assets	<u><u>\$ 3,902,778</u></u>

**CURRENT LIABILITIES**

Accounts Payable	<u>\$ 1,833</u>
Total Current Liabilities	<u>1,833</u>

**NET ASSETS**

Without Donor Restrictions:	
Undesignated	641,468
Board-Designated Reserve	<u>348,050</u>
	<u>989,518</u>
With Donor Restrictions:	
Purpose Restricted	1,927,890
Perpetual In Nature	<u>983,537</u>
	<u>2,911,427</u>
Total Net Assets	<u>3,900,945</u>
Total Liabilities and Net Assets	<u><u>\$ 3,902,778</u></u>

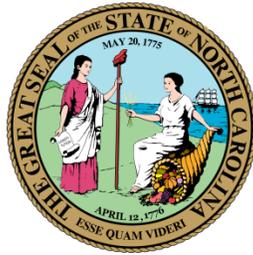
The accompanying notes to the financial statements are an integral part of this statement.

**Sampson Community College Foundation, Inc.**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit B-2**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 53,171	\$ 442,941	\$ 496,112
Foundation Grants	-	550,000	550,000
Special Events (Less Expenses of \$6,234)	26,026	-	26,026
In-Kind Contributions	71,306	-	71,306
Investment Income	19,117	62,375	81,492
Other Income	2,000	-	2,000
	<u>171,620</u>	<u>1,055,316</u>	<u>1,226,936</u>
Total Revenue and Support			
Net Assets Released from Restrictions	<u>141,089</u>	<u>(141,089)</u>	<u>-</u>
Total Revenue and Support	<u>312,709</u>	<u>914,227</u>	<u>1,226,936</u>
<b>EXPENSES</b>			
Program Services	209,651	-	209,651
Management and General	35,121	-	35,121
Fund-Raising	38,136	-	38,136
	<u>282,908</u>	<u>-</u>	<u>282,908</u>
Total Expenses			
Change in Net Assets	29,801	914,227	944,028
Net Assets at Beginning of Year	<u>959,717</u>	<u>1,997,200</u>	<u>2,956,917</u>
Net Assets at End of Year	<u>\$ 989,518</u>	<u>\$ 2,911,427</u>	<u>\$ 3,900,945</u>

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



# **NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Sampson Community College (College) is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

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

**Discretely Presented Component Unit** - Sampson Community College Foundation, Inc. (Foundation) is a legally separate, nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

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

The Foundation reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2020, the Foundation distributed \$176,917.43 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Advancement Office, Sampson Community College, P.O. Box 318, Clinton, North Carolina 28329.

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

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

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

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

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, and cash on deposit with private bank accounts.
- E. Investments** - This classification includes certificates of deposit 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. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies and merchandise for resale, are valued at the lower of cost or market using the first-in, first-out method.
- 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:

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

- I. **Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.
- J. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability that will not be paid within the next fiscal year.

The net pension liability represents the College’s proportionate share of the collective net pension liability reported in the State of North Carolina’s 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 January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into

current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

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

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

- L. **Deferred Outflows/Inflows of Resources** - 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 - Expendable** - Expendable restricted net position includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

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

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

inflows of resources. See Note 8 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

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

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

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

**P. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use 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 \$1,280.00. The carrying amount of the College's deposits not with the State Treasurer, including certificates of deposit of \$210,395.43 reported as investments on the Statement of Net Position, was \$2,723,462.70, and the bank balance was \$2,948,010.42.

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**

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

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

which are held by a specified bank or trust company or any state in the capacity of custodian.

As of June 30, 2020, the College held certificates of deposit in the amount of \$210,395.43. Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note.

**Component Unit** - Investments of the College's discretely presented component unit, Sampson Community College Foundation, Inc. (Foundation), are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

Investment Category	Fair Value
Money Market Funds	\$ 60,381.00
Exchange-Traded Funds	340,387.00
Mutual Funds	1,942,309.00
<b>Total</b>	<b>\$ 2,343,077.00</b>

**NOTE 3 - FAIR VALUE MEASUREMENTS**

**Component Unit** - Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Level 2 inputs are those inputs that are observable, either directly or indirectly, for the assets or liability other than quoted prices included in Level 1. Level 3 inputs are unobservable and apply only when there is little or no market activity for the asset or liability.

The Foundation recognizes transfers of assets into and out of levels as of the date an event or change in circumstances cause the transfer. There were no transfers between levels in the year ended June 30, 2020.

Fair values for assets measured on a recurring basis are as follows:

	Fair Value Measurements Using:			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments:				
Money Market Funds	\$ 60,381.00	\$ 60,381.00	\$ -	\$ -
Exchange-Traded Funds				
Small Blend	99,263.00	99,263.00	-	-
Medium Blend	241,124.00	241,124.00	-	-
Total Exchange-Traded Funds	340,387.00	340,387.00	-	-
Mutual Funds				
Bond Funds:				
Intermediate	915,155.00	915,155.00	-	-
Equity Funds:				
Large Growth	362,204.00	362,204.00	-	-
Large Blend	338,946.00	338,946.00	-	-
Large Value	326,004.00	326,004.00	-	-
Total Mutual Funds	1,942,309.00	1,942,309.00	-	-
<b>Total Investments</b>	<b>\$ 2,343,077.00</b>	<b>\$ 2,343,077.00</b>	<b>\$ -</b>	<b>\$ -</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2020, were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Receivables:			
Students	\$ 479.96	\$ 479.96	\$ -
Student Sponsors	29,683.77	-	29,683.77
Accounts	16,284.36	-	16,284.36
Other	2,569.99	-	2,569.99
<b>Total Receivables</b>	<b>\$ 49,018.08</b>	<b>\$ 479.96</b>	<b>\$ 48,538.12</b>

### NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Capital Assets, Nondepreciable:				
Land	\$ 147,037.25	\$ -	\$ -	\$ 147,037.25
Construction in Progress	1,486,484.73	2,363,354.53	3,701,142.87	148,696.39
<b>Total Capital Assets, Nondepreciable</b>	<b>1,633,521.98</b>	<b>2,363,354.53</b>	<b>3,701,142.87</b>	<b>295,733.64</b>
Capital Assets, Depreciable:				
Buildings	17,142,200.70	3,487,224.60	-	20,629,425.30
Machinery and Equipment	5,458,105.75	755,230.95	88,934.75	6,124,401.95
General Infrastructure	1,192,426.81	198,734.67	-	1,391,161.48
<b>Total Capital Assets, Depreciable</b>	<b>23,792,733.26</b>	<b>4,441,190.22</b>	<b>88,934.75</b>	<b>28,144,988.73</b>
Less Accumulated Depreciation for:				
Buildings	7,894,085.88	354,034.41	-	8,248,120.29
Machinery and Equipment	2,749,000.29	345,803.79	88,934.75	3,005,869.33
General Infrastructure	431,253.48	23,347.25	-	454,600.73
<b>Total Accumulated Depreciation</b>	<b>11,074,339.65</b>	<b>723,185.45</b>	<b>88,934.75</b>	<b>11,708,590.35</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>12,718,393.61</b>	<b>3,718,004.77</b>	<b>-</b>	<b>16,436,398.38</b>
<b>Capital Assets, Net</b>	<b>\$ 14,351,915.59</b>	<b>\$ 6,081,359.30</b>	<b>\$ 3,701,142.87</b>	<b>\$ 16,732,132.02</b>

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>Amount</u>
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 37,303.09
Accrued Payroll	167,774.65
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 205,077.74</b>

**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	\$ 623,062.36	\$ 352,857.43	\$ 362,368.70	\$ 613,551.09	\$ 99,272.56
Net Pension Liability	4,439,420.00	72,280.00	-	4,511,700.00	-
Net Other Postemployment Benefits Liability	10,713,389.00	1,082,341.00	-	11,795,730.00	-
Total Other Long-Term Liabilities	<u>15,775,871.36</u>	<u>1,507,478.43</u>	<u>362,368.70</u>	<u>16,920,981.09</u>	<u>99,272.56</u>
<b>Total Long-Term Liabilities</b>	<u>\$ 15,775,871.36</u>	<u>\$ 1,507,478.43</u>	<u>\$ 362,368.70</u>	<u>\$ 16,920,981.09</u>	<u>\$ 99,272.56</u>

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	\$ (2,690,558.00)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(15,062,812.00)</u>
Effect on Unrestricted Net Position	(17,753,370.00)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	<u>1,284,355.45</u>
<b>Total Unrestricted Net Position</b>	<u>\$ (16,469,014.55)</u>

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	Net Revenues
Operating Revenues:			
Student Tuition and Fees, Net	<u>\$ 2,206,268.72</u>	<u>\$ 1,261,789.73</u>	<u>\$ 944,478.99</u>
Sales and Services:			
Sales and Services of Auxiliary Enterprises:			
Bookstore	568,934.39	343,941.01	224,993.38
Other	<u>86,212.94</u>	<u>-</u>	<u>86,212.94</u>
<b>Total Sales and Services, Net</b>	<u>\$ 655,147.33</u>	<u>\$ 343,941.01</u>	<u>\$ 311,206.32</u>

**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	\$ 6,071,532.11	\$ 1,191,109.27	\$ 5,715.00	\$ -	\$ -	\$ 7,268,356.38
Academic Support	1,059,232.82	179,683.79	-	-	-	1,238,916.61
Student Services	716,599.54	227,328.64	47,010.10	-	-	990,938.28
Institutional Support	3,115,291.04	1,171,712.24	-	-	-	4,287,003.28
Operations and Maintenance of Plant	394,045.90	1,326,612.81	-	408,431.47	-	2,129,090.18
Student Financial Aid	-	5,895.47	2,222,068.13	-	-	2,227,963.60
Auxiliary Enterprises	41,140.45	539,777.85	3,574.90	-	-	584,493.20
Depreciation	-	-	-	-	723,185.45	723,185.45
<b>Total Operating Expenses</b>	<b>\$ 11,397,841.86</b>	<b>\$ 4,642,120.07</b>	<b>\$ 2,278,368.13</b>	<b>\$ 408,431.47</b>	<b>\$ 723,185.45</b>	<b>\$ 19,449,946.98</b>

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 \$427,573.75 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 \$433,914.13, and the College's contributions were \$937,977.72 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 \$4,511,700.00 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 0.04352%, which was a decrease of 0.00107 from its proportion measured as of June 30, 2018, which was 0.04459%.

*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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
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%)
\$ 8,587,020.00	\$ 4,511,700.00	\$ 1,093,026.00

*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 \$1,602,821.00. 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	\$ 377,398.00	\$ 9,032.00
Changes of Assumptions	480,739.00	-
Net Difference Between Projected and Actual Earnings on Plan Investments	86,483.00	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	24,592.28	77,016.00
Contributions Subsequent to the Measurement Date	937,977.72	-
<b>Total</b>	<b>\$ 1,907,190.00</b>	<b>\$ 86,048.00</b>

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	\$ 656,362.00
2022	128,481.00
2023	68,791.00
2024	29,530.28
<b>Total</b>	<b>\$ 883,164.28</b>

**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 \$467,904.07 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 \$7,231.90 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 \$11,795,730.00 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 0.03728%, which was a decrease of 0.00033 from its proportion measured as of June 30, 2018, which was 0.03761%.

*Net OPEB Asset:* At June 30, 2020, the College reported an asset of \$16,410.00 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 0.03803%, which was a decrease of 0.00079 from its proportion measured as of June 30, 2018, which was 0.03882%.

*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 6.50% grading down to 5.00% by 2024	9.50% grading down to 5.00% by 2028
Healthcare Cost Trend Rate - Medicare Advantage	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	\$ 14,016,969.00	\$ 11,795,730.00	\$ 10,016,229.00
Net OPEB Liability (Asset)			
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	\$ (13,899.00)	\$ (16,410.00)	\$ (18,850.00)

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

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	\$ 9,712,460.00	\$ 11,795,730.00	\$ 14,533,690.00
Net OPEB Liability (Asset)			
	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	\$ (16,439.00)	\$ (16,410.00)	\$ (16,383.00)

*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 \$229,260.00 for RHBF and expense of \$16,622.00 for DIPNC, resulting in a total OPEB contra-expense of \$212,638.00. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ -	\$ 16,764.00	\$ 16,764.00
Changes of Assumptions	566,958.00	1,818.00	568,776.00
Net Difference Between Projected and Actual Earnings on Plan Investments	7,855.00	3,126.00	10,981.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	145,551.93	2,551.10	148,103.03
Contributions Subsequent to the Measurement Date	467,904.07	7,231.90	475,135.97
<b>Total</b>	<b>\$ 1,188,269.00</b>	<b>\$ 31,491.00</b>	<b>\$ 1,219,760.00</b>

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 594,653.00	\$ -	\$ 594,653.00
Changes of Assumptions	3,546,313.00	1,684.00	3,547,997.00
Net Difference Between Projected and Actual Earnings on Plan Investments	-	-	-
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	314,385.00	-	314,385.00
<b>Total</b>	<b>\$ 4,455,351.00</b>	<b>\$ 1,684.00</b>	<b>\$ 4,457,035.00</b>

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:

<u>Year Ended June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2021	\$ (1,185,007.00)	\$ 7,709.00
2022	(1,185,007.00)	5,038.00
2023	(1,183,871.00)	3,766.00
2024	(264,852.00)	2,472.00
2025	83,750.93	3,299.00
Thereafter	-	291.10
<b>Total</b>	<b><u>\$(3,734,986.07)</u></b>	<b><u>\$ 22,575.10</u></b>

**NOTE 13 - RISK MANAGEMENT**

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

**A. Employee Benefit Plans**

**1. State Health Plan**

College employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer contributions. Certain plans also require contributions from employees. The Plan has contracted with third parties to process claims. See Note 12, Other Postemployment Benefits, for additional information regarding retiree health benefits.

**2. Death Benefit Plan of North Carolina**

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers 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.

## **B. Other Risk Management and Insurance Activities**

### **1. Automobile, Fire, and Other Property Losses**

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The College pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

### **2. Public Officers' and Employees' Liability Insurance**

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$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. The College is protected for losses from employee dishonesty and computer fraud for employees paid by county and institutional funds by contracts with private insurance companies. The special extension of property coverage provides for protections of \$50,000 per occurrence with a \$1,000 deductible.

#### **4. Statewide Workers' Compensation Program**

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

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

#### **NOTE 14 - COMMITMENTS**

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$73,968.11 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
<b>State Aid - Coronavirus Relief Fund:</b>		
CRF - Community College System Office Allocations	\$ 126,381.00	\$ 622.88
<b>Federal Aid - COVID-19:</b>		
HEERF - Student Allocation	\$ 516,966.00	\$ 427,573.75
HEERF - Institutional Allocation (1)	516,965.00	-
HEERF - Additional Award	50,639.00	-
<b>Total Federal Aid - COVID-19</b>	N/A	<b>\$ 427,573.75</b>

(1) 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.

**NOTE 16 - 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**

**Sampson 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 C-1**

Teachers' and State Employees' Retirement System	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportionate Share Percentage of Collective Net Pension Liability	0.04352%	0.04459%	0.04622%	0.04544%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 4,511,700.00	\$ 4,439,420.00	\$ 3,667,299.00	\$ 4,176,405.00
Covered Payroll	\$ 6,869,154.94	\$ 6,703,153.23	\$ 7,111,732.33	\$ 6,835,991.69
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	65.68%	66.23%	51.57%	61.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.56%	87.61%	89.51%	87.32%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Proportionate Share Percentage of Collective Net Pension Liability	0.04562%	0.04918%	0.05050%	
Proportionate Share of TSERS Collective Net Pension Liability	\$ 1,681,187.00	\$ 576,597.00	\$ 3,065,865.00	
Covered Payroll	\$ 7,018,068.74	\$ 7,121,484.87	\$ 7,339,373.78	
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	23.96%	8.10%	41.77%	
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.

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

**Exhibit C-2**

<b>Teachers' and State Employees' Retirement System</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually Required Contribution	\$ 937,977.72	\$ 843,532.23	\$ 722,599.92	\$ 709,750.89	\$ 625,493.24
Contributions in Relation to the Contractually Determined Contribution	<u>937,977.72</u>	<u>843,532.23</u>	<u>722,599.92</u>	<u>709,750.89</u>	<u>625,493.24</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Payroll	\$ 7,231,902.20	\$ 6,869,154.94	\$ 6,703,153.23	\$ 7,111,732.33	\$ 6,835,991.69
Contributions as a Percentage of Covered Payroll	12.97%	12.28%	10.78%	9.98%	9.15%
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Contractually Required Contribution	\$ 642,153.29	\$ 618,857.04	\$ 611,369.84	\$ 535,274.56	\$ 359,866.29
Contributions in Relation to the Contractually Determined Contribution	<u>642,153.29</u>	<u>618,857.04</u>	<u>611,369.84</u>	<u>535,274.56</u>	<u>359,866.29</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Payroll	\$ 7,018,068.74	\$ 7,121,484.87	\$ 7,339,373.78	\$ 7,194,550.47	\$ 7,299,519.13
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.

**Sampson 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**

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*Changes of Benefit Terms:*

	<u>Cost of Living Increase</u>									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Teachers' and State Employees' 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

**Sampson 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 C-3**

<b>Retiree Health Benefit Fund</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Proportionate Share Percentage of Collective Net OPEB Liability	0.03728%	0.03761%	0.03716%	0.03829%
Proportionate Share of Collective Net OPEB Liability	\$ 11,795,730.00	\$ 10,713,389.00	\$ 12,184,541.00	\$ 16,657,451.00
Covered Payroll	\$ 6,869,154.94	\$ 6,703,153.23	\$ 7,111,732.33	\$ 6,835,991.69
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	171.72%	159.83%	171.33%	243.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	4.40%	3.52%	2.41%
<b>Disability Income Plan of North Carolina</b>				
Proportionate Share Percentage of Collective Net OPEB Asset	0.03803%	0.03882%	0.03992%	0.03955%
Proportionate Share of Collective Net OPEB Asset	\$ 16,410.00	\$ 11,792.00	\$ 24,399.00	\$ 24,561.00
Covered Payroll	\$ 6,869,154.94	\$ 6,703,153.23	\$ 7,111,732.33	\$ 6,835,991.69
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.24%	0.18%	0.34%	0.36%
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.

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

**Exhibit C-4**

<b>Retiree Health Benefit Fund</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually Required Contribution	\$ 467,904.07	\$ 430,696.01	\$ 405,540.77	\$ 412,565.06	\$ 382,815.53
Contributions in Relation to the Contractually Determined Contribution	467,904.07	430,696.01	405,540.77	412,565.06	382,815.53
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 7,231,902.20	\$ 6,869,154.94	\$ 6,703,153.23	\$ 7,111,732.33	\$ 6,835,991.69
Contributions as a Percentage of Covered Payroll	6.47%	6.27%	6.05%	5.80%	5.60%
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Contractually Required Contribution	\$ 385,291.97	\$ 384,560.18	\$ 388,986.81	\$ 359,727.52	\$ 357,676.44
Contributions in Relation to the Contractually Determined Contribution	385,291.97	384,560.18	388,986.81	359,727.52	357,676.44
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 7,018,068.74	\$ 7,121,484.87	\$ 7,339,373.78	\$ 7,194,550.47	\$ 7,299,519.13
Contributions as a Percentage of Covered Payroll	5.49%	5.40%	5.30%	5.00%	4.90%
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Disability Income Plan of North Carolina</b>					
Contractually Required Contribution	\$ 7,231.90	\$ 9,616.82	\$ 9,384.41	\$ 27,024.58	\$ 28,027.57
Contributions in Relation to the Contractually Determined Contribution	7,231.90	9,616.82	9,384.41	27,024.58	28,027.57
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 7,231,902.20	\$ 6,869,154.94	\$ 6,703,153.23	\$ 7,111,732.33	\$ 6,835,991.69
Contributions as a Percentage of Covered Payroll	0.10%	0.14%	0.14%	0.38%	0.41%
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Contractually Required Contribution	\$ 28,774.08	\$ 31,334.53	\$ 32,293.24	\$ 37,411.66	\$ 37,957.50
Contributions in Relation to the Contractually Determined Contribution	28,774.08	31,334.53	32,293.24	37,411.66	37,957.50
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 7,018,068.74	\$ 7,121,484.87	\$ 7,339,373.78	\$ 7,194,550.47	\$ 7,299,519.13
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.

**Sampson 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**

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*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.

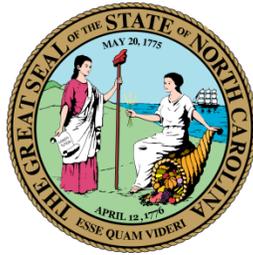
Additionally, the December 31, 2017 Disability Income Plan of North Carolina (DIPNC) actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

*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**

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Board of Trustees  
Sampson Community College  
Clinton, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sampson Community College (College), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 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 25, 2021. Our report includes a reference to other auditors who audited the financial statements of Sampson Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Sampson Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with Sampson 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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, CPA  
State Auditor

Raleigh, North Carolina

February 25, 2021

# ORDERING INFORMATION

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**919-807-7666**



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This audit required 342 hours at an approximate cost of \$35,568.