



**NORTH CAROLINA AGRICULTURAL
AND TECHNICAL STATE UNIVERSITY**

DIVISION OF BUSINESS & FINANCE

COMPTROLLER'S UPDATE

SEPTEMBER 21, 2018

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Fiscal Year 2018 Effect on NC A&T's Financial Statements Resulting from Changes in the Accounting and Reporting of Postemployment Benefits Other Than Pensions (GASB 75)

Discussion Items

- What is Changing and Why?
- How will the Change Affect the NC A&T Financial Statements?
- What is the Projected Restatement Effect on the NC A&T Financial Statements?
- Is the State Taking Action to Reduce the Obligation Over Time?
- How will the new change affect NC A&T's business operations?
- If GASB 75 had been in effect in 2017, how would our 2017 Net Position appear?

What is Changing and Why?

- ✓ What - The accounting and reporting of post-employment benefits other than pensions (OPEB).
 - ✓ OPEB benefits may include anything that provides employees post-employment benefits but generally could be health care, disability income, and life insurance, legal and other services if they are provided separate from a pension plan.

- ✓ Starting in FY2018, we will be reporting the University's share of the state's OPEB Plans funding status for
 - ✓ The Retiree Health Benefit Fund (**RHBF**)
 - ✓ The Disability Income Plan of North Carolina (**DIPNC**)

- ✓ Why - This is a new rule required by the Governmental Accounting Standards Board (GASB) and is being implemented by the State of North Carolina Office of State Controller.

How Will the Change Affect NC A&T's Financial Statements?

- ✓ Prior to the change, reporting was simple, we just recorded the contributions to the plan and that was the OPEB expense for the year. There was no recording or discussion of the employer's share of the fund's funding status.
- ✓ Starting this year, we will now report NC A&T's audited proportionate share of the OPEB Plan's:
 - ✓ Net OPEB Liability (NOL) (***unfunded liability***)
 - ✓ Deferred Outflows and Deferred Inflows of Resources related to the actuarial calculations
 - ✓ OPEB Expenses
- ✓ Net Position will be negatively impacted

What is the Restatement Amount?

- ✓ The Net OPEB Liability (NOL) reported by the State of North Carolina Plan for FY 2017 = **\$43.5 billion**
- ✓ NC A&T's share of the restatement for the Plan's NOL is **\$271 million**
- ✓ The restated 2017 Net Position Balance of the University is a decrease of **\$264 million**

Is The State Taking Action to Reduce the Obligation Over Time

Yes:

- ✓ Employees hired on or after 10-1-2006 must now have 20 service years to be eligible – was 5 years
- ✓ Employees hired on or after 10-1-2006 having at least 10 years of service at retirement may qualify but requires 50% cost contribution from the employee
- ✓ Benefits will no longer be offered to employees hired on or after 1-1-2021

Will the New Change Affect NC A&T's Business Operations?

- ✓ No, the change is strictly for the reporting of financial statement information and does not affect the day to day business operation of the University
- ✓ The ability of the University to pay its current obligations continues to be based on its revenue streams, state support, and strength of the institution's financial management
- ✓ If higher contribution rates are implemented in response to the change, this would affect the charges to all University units with salary expenses including Campus Enterprise and Contract and Grant operations.

Will the New Change Affect Management's Ability to Maintain and Use Operating Reserves?

- ✓ No, auxiliaries and other revenue generating operations as well as other unrestricted funds having available balances will still continue to be able to use those funds and provide for current, expansion, and long term needs/obligations in accordance with University policies.

Re-Statement of NC A&T's 2017 Net Position under GASB 75

Net Position at June 30, 2017	\$ 402,480,823
Impact of New GASB 75	(264,346,070)
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Re-stated Net Position at June 30, 2017	\$ 138,134,753
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