




## State of North Carolina Office of the State Controller

LINDA COMBS  
STATE CONTROLLER

February 1, 2019

### MEMORANDUM

**TO:** Chief Financial Officers, Vice Chancellors

**FROM:** Anne Godwin, Deputy State Controller 

**SUBJECT:** Reporting Statewide Workers' Compensation Liability

In 2018, the Office of State Controller implemented a pilot for reporting the statewide workers' compensation liability. The office is now providing this same information to the remaining agencies and universities with workers' compensation liability balances with the Office of State Human Resources, that should be reported in the financial statements for your agency or university.

GASB Codification *C50-Claims and Judgments* establishes accounting and financial reporting standards for risk including risk of loss from job-related illnesses or injuries to employees. GASB Codification C50.110 provides that state and local governmental entities should report an estimated loss from a claim as an expenditure/loss and as a liability if both of the following conditions are met:

- 1) Information available before the financial statements are issued indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements.
- 2) The amount of the loss can be reasonably estimated.

Here is a link to the Governmental Accounting Research System (GARS) for your reference.

<https://gars.gasb.org/>

The North Carolina Office of State Human Resources (OSHR) contracts with Corvel, a third-party administrator, to manage workers' compensation claims for the State. A life-time exposure reserve for the claims is calculated by Corvel with each claim filed where there is a potential for the claim to last the life of the individual. A life-time reserve is calculated even where a settlement is possible.

You will need to determine if the state workers' compensation reserve amount estimated by OSHR for your agency/university is a reasonable estimate of the liability incurred by the agency/university and should be reported as a long-term liability for workers' compensation in the 2019 CAFR. We are providing you with the workers' compensation reserve amounts estimated for your agency/university as of June 30, 2018 by OSHR. Please review the estimates along with any other documentation you

Human Resources office handling workers' compensation claims for your agency may have to determine if the estimates are reasonable. You will need to assess the reasonableness of the 2018 workers' compensation balances in order to restate the 2018 net position and post the beginning balance for fiscal year 2019. Governmental funds will not post a restatement in the financial statements, however the beginning balance will be reported in the 2019 Year-End CAFR package.

OSC will provide your agency/university with the workers' compensation balance for fiscal year 2019 in July 2019 once available from OSHR. We will ask that you review the information at that time and determine if the amount is a reasonable estimate of the probable liability for your agency/university. You will be required to determine the increases and decreases during the fiscal year 2019 and the amount that is due within one year which will be reported in the 2019 CAFR.

The Office of State Controller will provide further instructions for posting and reporting the June 30, 2019 balance along with the restatement for the beginning net position when the June 30, 2019 amounts are distributed.

Any questions related to the worksheet or this memo should be directed to Elizabeth Colcord at [Elizabeth.Colcord@osc.nc.gov](mailto:Elizabeth.Colcord@osc.nc.gov) or by telephone at 919-707-0526.

If you have any questions regarding the estimate maintained by OSHR, the Statewide Workers' Compensation Program contact at OSHR is Scarlette Gardner. She can be reached at 919-807-4858 and at [Scarlette.Gardner@nc.gov](mailto:Scarlette.Gardner@nc.gov).

cc: Scarlette Gardner, Statewide Workers' Compensation Program, Office of State Human Resources

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