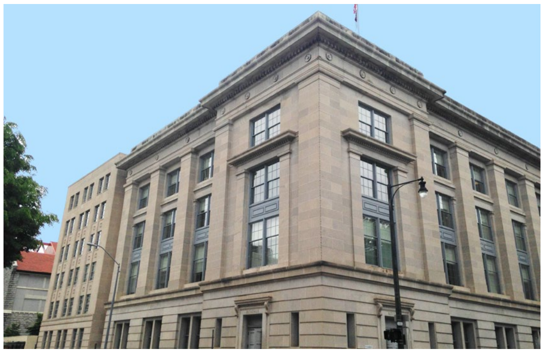
STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



FORSYTH TECHNICAL COMMUNITY COLLEGE

WINSTON-SALEM, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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

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

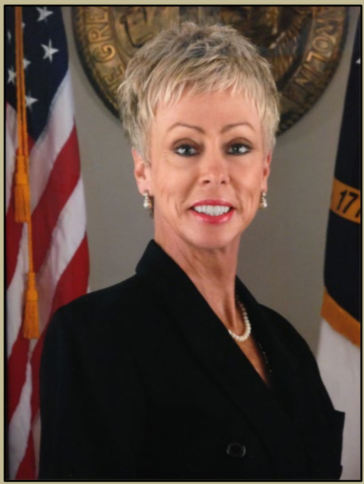
We have completed a financial statement audit of Forsyth Technical Community College for the year ended June 30, 2021, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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

Independent Auditor's Report

STATE OF NORTH CAROLINA

Office of the State Auditor

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State Auditor

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20601 Mail Service Center
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Forsyth Technical Community College
Winston-Salem, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Forsyth Technical 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, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of Forsyth Technical Community College, and its discretely presented component unit, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Forsyth Technical Community College Foundation, Inc. (Foundation) the College's discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Foundation, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 18 to the financial statements, during the year ended June 30, 2021, Forsyth Technical Community College adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The College's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAGAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAGAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2022 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

January 27, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Forsyth Technical Community College, a component unit of the State of North Carolina, is presented to provide an overview of the College's financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider this information in conjunction with the College's financial statements and the notes to the financial statements.

Overview of the Financial Statements

The basic financial statements consist of three statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. These financial statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board and focus on the financial position of the College, the results of operations, and cash flows of the College as a whole. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position are prepared under the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Position includes total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, with the difference reported as net position. The balance in net position is one indicator of the College's financial health when considered with certain non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies state and county funding, grants, and gifts as nonoperating revenues. This required classification of certain revenues usually results in an operating loss, although the College may have an overall increase in net position for the year.

The Statement of Cash Flows presents the cash inflows and outflows of the College for the year summarized by operating, capital financing, noncapital financing, and investing activities. The statement provides a reconciliation of cash balances at the beginning of the year to cash balances at the end of the year.

For the purpose of this discussion, we will address the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position. Comparative totals are being used in explaining the College's financial position and results of operations.

The financial statements also include a Statement of Financial Position, Statement of Activities and Changes in Net Assets, and certain note disclosures for the College's discretely presented component unit, Forsyth Technical Community College Foundation, Inc. (Foundation); however, the Foundation is not included in management's discussion and analysis. More information describing the relationship between the College and Foundation can be found in Note 1A.

Results of Operations - Net position increased by $5,275,538.11 for the fiscal year ended June 30, 2021. The following schedule shows a summary of changes between the Statement of Revenues, Expenses, and Changes in Net Position for fiscal years 2021 and 2020.

	2021	2020	Dollar Increase (Decrease)
Operating Revenues	$ 8,096,036.68	$ 9,499,755.99	$ (1,403,719.31)
Operating Expenses	80,466,927.08	77,072,592.52	3,394,334.56
Operating Loss	(72,370,890.40)	(67,572,836.53)	(4,798,053.87)
Nonoperating Revenues	69,859,791.49	65,231,696.58	4,628,094.91
Nonoperating Expenses	(313,213.67)	(152,225.98)	(160,987.69)
Loss Before Other Revenues	(2,824,312.58)	(2,493,365.93)	(330,946.65)
Capital Contributions	8,099,850.69	11,332,084.34	(3,232,233.65)
Increase in Net Position	5,275,538.11	8,838,718.41	(3,563,180.30)
Net Position - July 1	50,100,892.94	41,262,174.53	8,838,718.41
Net Position - June 30	$ 55,376,431.05	$ 50,100,892.94	$ 5,275,538.11

Total revenues for fiscal year ended June 30, 2021 were $86.1 million decreasing overall from the previous year's total revenues by $7,858.05. Operating revenues decreased $1.4 million mainly due to decreased student enrollment during the pandemic. The largest revenue source was provided by the State. State aid and state aid - coronavirus, reported as nonoperating revenues, were $35.5 million and $1.3 million, respectively. State capital aid, reported as other revenues, was $0.9 million. Aid from the State totaled $37.7 million, representing 43.8% of total revenues for this fiscal year. County appropriations and county capital aid totaled $10.6 million and $6.7 million, respectively. Aid from the County totaled $17.3 million representing 20.2% of total revenues for this fiscal year. Combined aid from the State and County totaled $55.0 million representing 64.0% of total revenues for fiscal year 2021.

The major operating revenue source was student tuition and fees in the amount of $6.7 million. Student tuition and fees are reported as net revenues, reflecting the elimination of scholarship discounts and allowance for uncollectibles. Student financial aid grants, reported as nonoperating revenues during the current year were $14.0 million decreasing by $0.5 million or 3.71% from the previous year. These grants are considered nonexchange transactions and include grants for Pell, SEOG, and College Work Study. Federal CARES Act funding, reported as a nonoperating revenue during the current year was $4.5 million, an increase of $2.9 million from the prior year. CARES Act funding was provided due to the COVID-19 pandemic and the funds were primarily used for student awards.

Operating revenues of $8.1 million represent 9.4% of total revenues with a decrease from the previous year of $1.4 million. Sales and services, net decreased by $122,928.32 while tuition and fees, net decreased by $1.3 million primarily due to decreased enrollment, which is attributed to the pandemic.

Total nonoperating revenues were $69.9 million increasing by $4.6 million from the previous year. The major revenue source in nonoperating revenues was state aid and state aid coronavirus which totaled $37.7 million, an increase of $1.3 million from the previous year.

County appropriations increased by $269,887.00 or 2.6% from the previous year. Noncapital grants consisting of student financial aid of $14.0 million, CARES Act of $4.5 million and noncapital contributions of $3.8 million totaled $22.3 million. Most of the $4.6 million increase in nonoperating revenues can be attributed to increased federal and state funding totaling $4.2 million resulting from additional awards received to help mitigate the impact of the COVID-19 pandemic.

Other revenues, which primarily account for capital funding, were $8.1 million decreasing by $3.2 million from the previous year. The decrease is attributed mostly to the construction of the Aviation Center being in the final stages.

A detailed schedule of revenues is presented below to provide additional comparative financial data.

	2021	2020	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Operating Revenues:				
Student Tuition and Fees, Net	$ 6,680,460.60	$ 7,961,573.42	$ (1,281,112.82)	-16.09%
Sales and Services, Net	1,415,083.15	1,538,011.47	(122,928.32)	-7.99%
Other Operating Revenues	492.93	171.10	321.83	188.09%
Total Operating Revenues	8,096,036.68	9,499,755.99	(1,403,719.31)	-14.78%
Nonoperating Revenues:				
State Aid	35,521,497.33	35,282,415.94	239,081.39	0.68%
State Aid - Coronavirus	1,309,258.00	271,381.00	1,037,877.00	382.44%
County Appropriations	10,646,231.00	10,376,344.00	269,887.00	2.60%
Student Financial Aid	13,981,484.35	13,481,854.42	499,629.93	3.71%
Federal Aid - COVID-19	4,546,160.23	1,633,067.46	2,913,092.77	178.38%
Noncapital Contributions	3,833,779.52	4,092,551.91	(258,772.39)	-6.32%
Investment Income	21,381.06	94,081.85	(72,700.79)	-77.27%
Total Nonoperating Revenues	69,859,791.49	65,231,696.58	4,628,094.91	7.09%
Other Revenues:				
State Capital Aid	901,589.14	1,817,283.87	(915,694.73)	-50.39%
County Capital Aid	6,712,619.61	9,185,484.13	(2,472,864.52)	-26.92%
Capital Contributions	485,641.94	329,316.34	156,325.60	47.47%
Total Other Revenues	8,099,850.69	11,332,084.34	(3,232,233.65)	-28.52%
Total Revenues	$ 86,055,678.86	$ 86,063,536.91	$ (7,858.05)	-0.01%

Expenses for fiscal year 2021 totaled $80.8 million, an increase from the prior year of $3.6 million. The College's largest expense was for salaries and benefits totaling $48.8 million or 60.5% of the total expenses during the year. The largest increase in expenses during the year was to supplies and services. Supplies and services increased $3.7 million from the previous year. Supplies and services totaled $16.1 million or 19.9% of the total expenses. The increase in supplies and services expenses during the year is mainly attributable to costs associated with covid such as testing, equipment, and technology updates. Scholarships and fellowships totaling $10.4 million or 12.9% of total expenses decreased by $410,445.75 due to a decrease in overall student enrollment.

A detailed schedule of operating expenses is presented below to provide additional comparative financial data.

	2021	2020	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Operating Expenses:				
Salaries and Benefits	$ 48,835,729.86	$ 48,889,634.55	$ (53,904.69)	-0.11%
Supplies and Services	16,107,457.35	12,370,595.22	3,736,862.13	30.21%
Scholarships and Fellowships	10,443,503.78	10,853,949.53	(410,445.75)	-3.78%
Utilities	1,705,898.40	1,597,437.78	108,460.62	6.79%
Depreciation	3,374,337.69	3,360,975.44	13,362.25	0.40%
Total Operating Expenses	80,466,927.08	77,072,592.52	3,394,334.56	4.40%
Other Nonoperating Expenses	313,213.67	152,225.98	160,987.69	105.76%
Total Expenses	$ 80,780,140.75	$ 77,224,818.50	$ 3,555,322.25	4.60%

Outstanding commitments for capital projects as of June 30, 2021 were $444,440.41. A detailed schedule is presented below.

Outstanding Commitments for Capital Projects:	
Retaining Wall Main Campus	$ 21,483.41
Hauser Renovation	146,791.00
Transportation Center Expansion	27,810.00
Strickland Center Design Renovations	140,000.00
Aviation Center	108,356.00
Total	$ 444,440.41

Financial Position - The following schedule shows changes between the Statement of Net Position for fiscal years 2021 and 2020.

	2021	2020	Dollar Increase (Decrease)
Assets:			
Capital Assets, Net	$ 121,866,021.97	$ 120,827,266.70	$ 1,038,755.27
Other Assets	17,215,893.95	16,271,486.81	944,407.14
Total Assets	139,081,915.92	137,098,753.51	1,983,162.41
Total Deferred Outflows of Resources	13,026,941.00	12,291,216.00	735,725.00
Liabilities:			
Long-Term Liabilities - Current	620,969.83	287,231.92	333,737.91
Long-Term Liabilities - Noncurrent	67,944,147.69	71,355,037.82	(3,410,890.13)
Other Liabilities	4,066,451.35	4,042,454.83	23,996.52
Total Liabilities	72,631,568.87	75,684,724.57	(3,053,155.70)
Total Deferred Inflows of Resources	24,100,857.00	23,604,352.00	496,505.00
Net Position:			
Net Investment in Capital Assets	121,084,406.05	119,295,120.94	1,789,285.11
Restricted	9,171,595.52	9,257,479.42	(85,883.90)
Unrestricted	(74,879,570.52)	(78,451,707.42)	3,572,136.90
Total Net Position	$ 55,376,431.05	$ 50,100,892.94	$ 5,275,538.11

The College's net position totaled $55.4 million at June 30, 2021, an increase of $5.3 million from the previous year. The total net position consists of $121.1 million invested in capital assets, $9.2 million restricted for specific purposes, and $74.9 million deficit in unrestricted net position. Of the $9.2 million restricted net position, $5.2 million was restricted for capital projects and $4.0 million was restricted for grants, student support, and other restricted purposes. The $1.8 million increase in net investment in capital assets was primarily due to construction costs for the new Aviation Center. The $3.6 million increase in unrestricted net position was substantially attributed to an overall net decrease in other postemployment benefits (OPEB) related balances. For more information about the College's Net Position refer to Note 10 of the Notes to the Financial Statements.

The College's assets totaled $139.1 million at June 30, 2021, an increase of $2.0 million. Capital assets, net of depreciation, amounted to $121.9 million, representing 87.6% of total assets, an increase from the previous year of $1.0 million. Buildings, less accumulated depreciation, the largest capital assets category, totaled $90.1 million and represented 73.9% of the total capital assets. Significant capital projects that took place during the year included the beginning construction of the Education Building at the Transportation Technology Center, the approval of the Learning Commons Project, and the continued construction of the Mazie S. Woodruff Aviation Technology Building. Refer to Note 6 of the Notes to the Financial Statements for further information regarding capital assets. Other assets increased by $0.9 million. Cash and cash equivalents amounted to $15.2 million, representing 11.0% of total assets, and consisting of an increase of $1.3 million compared to the prior year's cash total of $13.9 million primarily due to the increased cash on hand from receipt of federal and state coronavirus related revenues and fewer construction related payments at year-end.

Deferred outflows of resources related to pensions and OPEB increased by $735,725.00 due to changes in actuarial assumptions, the difference between expected results and actual experience as well as College contributions to the defined pension plan. For more information about the College's deferred outflows related to pension and OPEB, refer to Notes 13 and 14 of the Notes to the Financial Statements.

Total liabilities at fiscal year ended June 30, 2021 were $72.6 million. Long-term liabilities totaled $68.6 million at year-end, of which $4.6 million represented liabilities for accrued vacation, $21.9 million represented net pension liability for employees and $42.1 million represented net other postemployment benefit liabilities. Noncurrent long-term liabilities decreased by $3.4 million from the previous year. This decrease was substantially attributed to the change in the College's proportionate share of the collective net OPEB liability for the retiree health benefit fund due to changes in actuarial assumptions. Refer to Note 14 of the Notes to the Financial Statements for more information about the College's other postemployment benefits.

Deferred inflows of resources related to pensions and OPEB increased by $496,505.00 due to actuarial changes in assumptions and differences between actual and expected experience. For more information about the College's deferred inflows related to pensions and OPEB, refer to Notes 13 and 14 of the Notes to the Financial Statements.

Future Operations - The results of operations for Forsyth Technical Community College are dependent upon contributions from both the State of North Carolina and Forsyth County. Total expenses for the College were $80.8 million with state and county funding totaling $55.0 million or 68.2% of expenses. Any changes in the state and local economy would have an impact on the funding available for the College in future years. Overall, the College continues to monitor budget and expenditures carefully to ensure that funds are spent prudently and the College operates effectively and efficiently.

While the COVID-19 pandemic negatively impacted student enrollment, federal stimulus funding and state coronavirus aid is helping the College weather the pandemic in a strong financial position. The College is strategically spending federal and state COVID-19 funds to meet the needs of students as the pandemic continues to evolve and to prepare for a new and different post-pandemic higher education landscape. While community college enrollments around the State and the country remain lower than anticipated for fall 2021, enrollment at Forsyth Tech is up slightly. The College continues to invest in virtual learning options and in multi-modality instructional offerings to provide greater flexibility for students to choose whether they attend class in person on campus, via synchronous virtual instruction, or access the instruction asynchronously through the College's learning management system.

In 2019, the College joined Achieving the Dream (ATD), a network of more than 220 colleges in 43 states dedicated to improving student success. As a network institution for the past two years, staff and faculty worked with ATD coaches to design and execute an action plan that implemented, aligned, and scaled cutting edge reforms directly tied to the College's core mission and in support of the Forsyth Technical Community College Vision 2025 Strategic Plan. This work has been instrumental in helping the College advance student success and equity of success for all students as evidenced by increases in retention, persistence, and completion overall and most notably for underrepresented students.

The new Mazie S. Woodruff Aviation Technology Building was completed in October 2021 and will now provide space for two programs of study: the Aviation Systems Technology program and the Aviation Electronics (Avionics) Technology program. The Mazie S. Woodruff Aviation Technology Lab at Smith Reynolds Airport has relationships with local, regional, and national employers who have constant demand for aircraft maintenance and avionics technicians. This $16 million aviation campus will train a skilled workforce full of aviation technicians and mechanics ready to take the Triad to new heights. Students began taking general education courses in fall 2021 to prepare them to enroll in the new aviation programs beginning in the spring 2022 semester.

Forsyth Technical Community College serves the citizens and businesses in Forsyth and Stokes County. For sixty-one years, the College has provided workforce education programs, basic skills training, career and technical education applied science degrees, and college transfer associate degrees as the only two-year public, higher education institution within the two-county service area. During the unprecedented COVID-19 pandemic, the College never closed, continuing to serve students and businesses virtually when necessary, but nonetheless remaining an integral part of the higher education and workforce development ecosystem within the Triad region. As the State and the nation move out of the pandemic, Forsyth Technical Community College will serve a critical role in workforce and economic recovery, striving to fulfill the College's vision of being a catalyst for equitable economic mobility, empowering lives, and transforming communities.

FINANCIAL STATEMENTS

Forsyth Technical Community College
Statement of Net Position — *Exhibit A-1*
June 30, 2021 — *Page 1 of 2*

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 6,357,841.66
Restricted Cash and Cash Equivalents	4,932,037.50
Receivables, Net (Note 5)	860,677.20
Due from State of North Carolina Component Units	186,470.96
Inventories	347,672.03
Notes Receivable	801.14
Total Current Assets	12,685,500.49
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	3,942,820.51
Receivables	511,430.95
Net Other Postemployment Benefits Asset	76,142.00
Capital Assets - Nondepreciable (Note 6)	18,612,391.29
Capital Assets - Depreciable, Net (Note 6)	103,253,630.68
Total Noncurrent Assets	126,396,415.43
Total Assets	139,081,915.92
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	8,926,508.00
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	4,100,433.00
Total Deferred Outflows of Resources	13,026,941.00
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	2,547,387.40
Unearned Revenue	1,455,110.06
Funds Held for Others	63,953.89
Long-Term Liabilities - Current Portion (Note 8)	620,969.83
Total Current Liabilities	4,687,421.18
Noncurrent Liabilities:	
Long-Term Liabilities (Note 8)	67,944,147.69
Total Liabilities	72,631,568.87
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	115,935.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	23,984,922.00
Total Deferred Inflows of Resources	24,100,857.00

NET POSITION

Net Investment in Capital Assets	121,084,406.05
Restricted:	
Nonexpendable:	
Student Financial Aid	327,868.97
Expendable:	
Student Financial Aid	634,772.04
Restricted for Specific Programs	2,591,574.60
Capital Projects	5,239,157.57
Loans	214,951.34
Other	163,271.00
Total Restricted-Expendable Net Position	8,843,726.55
Unrestricted	(74,879,570.52)
Total Net Position	$ 55,376,431.05

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

Forsyth Technical Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2021

Exhibit A-2

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 11)	$ 6,680,460.60
Sales and Services, Net (Note 11)	1,415,083.15
Other Operating Revenues	492.93
Total Operating Revenues	8,096,036.68
OPERATING EXPENSES	
Salaries and Benefits	48,835,729.86
Supplies and Services	16,107,457.35
Scholarships and Fellowships	10,443,503.78
Utilities	1,705,898.40
Depreciation	3,374,337.69
Total Operating Expenses	80,466,927.08
Operating Loss	(72,370,890.40)
NONOPERATING REVENUES (EXPENSES)	
State Aid	35,521,497.33
State Aid - Coronavirus	1,309,258.00
County Appropriations	10,646,231.00
Student Financial Aid	13,981,484.35
Federal Aid - COVID-19	4,546,160.23
Noncapital Contributions	3,833,779.52
Investment Income	21,381.06
Other Nonoperating Expenses	(313,213.67)
Net Nonoperating Revenues	69,546,577.82
Loss Before Other Revenues	(2,824,312.58)
State Capital Aid	901,589.14
County Capital Aid	6,712,619.61
Capital Contributions	485,641.94
Total Other Revenues	8,099,850.69
Increase in Net Position	5,275,538.11
NET POSITION	
Net Position - July 1, 2020	50,100,892.94
Net Position - June 30, 2021	$ 55,376,431.05

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

Forsyth Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 8,661,010.51
Payments to Employees and Fringe Benefits	(51,496,028.42)
Payments to Vendors and Suppliers	(17,629,382.64)
Payments for Scholarships and Fellowships	(10,491,102.19)
William D. Ford Direct Lending Receipts	7,509,779.00
William D. Ford Direct Lending Disbursements	(7,509,779.00)
Other Receipts	42,543.30
Net Cash Used by Operating Activities	(70,912,959.44)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid	35,521,497.33
State Aid - Coronavirus	1,309,258.00
County Appropriations	10,646,231.00
Student Financial Aid	13,981,484.35
Federal Aid - COVID-19	4,546,160.23
Noncapital Contributions	3,181,235.26
Total Cash Provided by Noncapital Financing Activities	69,185,866.17
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
State Capital Aid	901,589.14
County Capital Aid	7,101,440.41
Capital Contributions	485,641.94
Acquisition and Construction of Capital Assets	(5,483,750.14)
Net Cash Provided by Capital Financing and Related Financing Activities	3,004,921.35
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	21,381.06
Net Increase in Cash and Cash Equivalents	1,299,209.14
Cash and Cash Equivalents - July 1, 2020	13,933,490.53
Cash and Cash Equivalents - June 30, 2021	$ 15,232,699.67

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (72,370,890.40)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	3,374,337.69
Other Nonoperating Income	6,913.68
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(102,859.80)
Inventories	8,705.26
Net Other Postemployment Benefits Asset	(8,750.00)
Deferred Outflows Related to Pensions	(1,083,406.00)
Deferred Outflows Related to Other Postemployment Benefits	347,681.00
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	116,512.51
Unearned Revenue	622,384.22
Funds Held for Others	35,629.62
Net Pension Liability	3,025,971.00
Net Other Postemployment Benefits Liability	(6,006,887.00)
Compensated Absences	625,193.78
Deferred Inflows Related to Pensions	(178,909.00)
Deferred Inflows Related to Other Postemployment Benefits	675,414.00
Net Cash Used by Operating Activities	$ (70,912,959.44)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$ 381,309.33
Loss on Disposal of Capital Assets	(320,127.35)
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(721,430.00)

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

Forsyth Technical Community College Foundation, Inc.
Statement of Financial Position
June 30, 2021 — *Exhibit B-1*

ASSETS		
Current Assets:		
Cash and Cash Equivilents	$	2,007,780
Restricted Cash		1,718,616
Pledges Receivable, Net		258,805
Accounts Receivable		9,761
Prepaid Expenses		7,975
Total Current Assets		4,002,937
Noncurrent Assets:		
Investments		11,224,724
Investment in Life Insurance Policy		84,922
Noncurrent Pledges Receivable, Net		8,088
Land Held for Investment		190,000
Total Noncurrent Assets		11,507,734
Total Assets	$	15,510,671
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	11,687
Deferred Revenue		598
Total Liabilities		12,285
NET ASSETS		
Without Donor Restrictions		4,889,998
With Donor Restrictions		10,608,388
Total Net Assets		15,498,386
Total Liabilities and Net Assets	$	15,510,671

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

Forsyth Technical Community College Foundation, Inc.
Statement of Activities and Changes in Net Assets
For the Fiscal Year Ended June 30, 2021 *Exhibit B-2*

NET ASSETS WITHOUT DONOR RESTRICTIONS	
Support and Revenue:	
Contributions	$ 226,604
Interest Income	14,418
Investment Income (Net of Fees)	79,188
Realized Loss on Sale of Investments	(270)
Change in Market Value of Investments	485,754
Net Assets Released from Restrictions	946,873
Total Support and Revenue	1,752,567
Expenses:	
Program Services	1,622,231
Management and General	61,292
Fundraising	29,095
Total Operating Expenses	1,712,618
Net Income in Net Assets Without Donor Restrictions	39,949
NET ASSETS WITH DONOR RESTRICTIONS	
Support and Revenue:	
Contributions	934,663
Investment Income (Net of Fees)	293,556
Realized Gain on Sale of Investments	11,359
Change in Market Value of Investments	1,485,427
Change in Life Insurance Policy	3,017
Net Assets Released From Restrictions	(946,873)
Net Income in Net Assets With Donor Restrictions	1,781,149
Change in Net Assets	1,821,098
Net Assets at Beginning of Year	13,677,288
Net Assets at End of Year	$ 15,498,386

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. Forsyth Technical Community College (College) is a component unit of the State of North Carolina and an integral part of the State's *Annual Comprehensive 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 - Forsyth Technical 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 at least 10 and no more than 30 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 is a private nonprofit organization that 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, 2021, the Foundation distributed $1,118,843.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from

Forsyth Technical Community College Foundation, Inc., 2100 Silas Creek Parkway, Winston-Salem, NC 27103.

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* and GASB Statement No. 84, *Fiduciary Activities,* 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 petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The College's equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 3.

E. **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, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

F. **Inventories** - Inventories, consisting of postage and expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.

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

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

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

Asset Class	Estimated Useful Life
Buildings	50-55 years
Machinery and Equipment	5-50 years
General Infrastructure	50 years

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

I. Accounting and Reporting of Fiduciary Activities - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.

There are no other trust or custodial funds meeting the criteria of a fiduciary activity that are required to be reported in separate fiduciary fund financial statements.

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

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2020 *Comprehensive Annual Financial Report.* This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 13 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the College's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2020 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 14 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

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

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

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

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

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

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

College - 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. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling $4,650.00, and deposits in private financial institutions with a carrying value of $10,268,247.44 and a bank balance of $10,637,789.29.

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, 2021, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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.

At June 30, 2021, the amount shown on the Statement of Net Position as cash and cash equivalents includes $4,959,802.23, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2021. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at https://www.nctreasurer.com/ in the Audited Financial Statements section.

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

Component Unit

Deposits - All funds of the College's discretely presented component unit, Forsyth Technical Community College Foundation, Inc. (Foundation), are deposited in board-designated official depositories or with the State Treasurer. The Foundation had the following balances in established accounts at June 30, 2021:

Cash on Deposit with Private Financial Institutions	$	341,419
Cash on Deposit with State Treasurer		3,384,877
Total Deposits	$	3,726,296

The cash on deposit with the State Treasurer is pooled with state agencies and similar institutions in the State Treasurer's Short-Term Investment Fund. These monies are invested in accordance with G.S. 147-69.1 and as required by law are "readily convertible into cash." All investments of the funds are held either by the Department of the State Treasurer or its agent in the State's name. The fund's uninvested cash is either covered by federal depository insurance or, pursuant to 20 NCAC 7, is collateralized to secure all deposits in excess of the federal depository insurance coverage.

The Foundation maintains cash in the bank accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash.

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

Investment Type		Amount
Money Market Funds	$	506,626
Fixed Income Funds Domestic		1,475,666
Fixed Income Funds International		643,469
Equity Funds Domestic		5,038,729
Equity Funds International		1,441,351
Complementary Strategies		1,233,794
Real Estate Funds		885,089
Cash Value of Insurance		84,922
Land Held for Investment		190,000
Total Investments	$	11,499,646

NOTE 3 - FAIR VALUE MEASUREMENTS

College - To the extent available, the College's investments are recorded at fair value as of June 30, 2021. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

Level 2 Investments with inputs - other than quoted prices included within Level 1 - that are observable for an asset, either directly or indirectly.

Level 3 Investments classified as Level 3 have unobservable inputs and may require a degree of professional judgment.

Short-Term Investment Fund - At year-end, all of the College's investments valued at $4,959,802.23 were held in the STIF. Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The College's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Component Unit

FASB ASC 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. If no Level 1 inputs were available, Level 2 inputs were used where available to the Foundation, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

The Foundation's investments are reported at fair value as follows:

	Fair Value	Markets for Indentical Assets (Level 1)	Observable Inputs (Level 2)	Observable Inputs (Level 3)
Investments by Fair Value Level				
Money Market Funds	$ 506,626	$ 506,626	$ -	$ -
Fixed Income Funds Domestic	1,475,666	1,475,666	-	-
Fixed Income Funds International	643,469	643,469	-	-
Equity Funds Domestic	5,038,729	5,038,729	-	-
Equity Funds International	1,441,351	1,441,351	-	-
Complementary Strategies	1,233,794	1,233,794	-	-
Real Estate Funds	885,089	885,089	-	-
Cash Value of Insurance	84,922	-	84,922	-
Land Held for Investment	190,000	-	-	190,000
Total Investments by Fair Value Level	$11,499,646	$11,224,724	$ 84,922	$ 190,000

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted net asset values of the shares held by the Foundation at year-end. The fair values of common stock, corporate bonds, and U.S. Government securities are based on quoted market prices.

Level 2 Fair Value Measurements

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Fair Value Measurements

The fair value of these types of investments is based upon other methods since these investments are not actively traded and significant other observable inputs are not available. The following is a reconciliation of the Level 3 activity for 2021:

	Land
Beginning Balance July 1, 2020	$ 190,000
Total Gains or Losses (Realized and Unrealized) Included	
in Changes in Net Assets Available for Benefits	-
Additional Contributions for the Year	-
Ending Balance June 30, 2021	$ 190,000

Gains and losses (realized and unrealized) are reported on the Statement of Activities for the year ended June 30, 2021.

NOTE 4 - DONOR RESTRICTED ENDOWMENTS

The College's endowment assets are pooled with state agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2021, net appreciation of $23,745.00 was available to be spent, all of which was classified in net position as restricted expendable student financial aid as it is restricted for specific purposes.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2021, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 1,307,028.21	$ 795,528.20	$ 511,500.01
Student Sponsors	137,065.43	-	137,065.43
Intergovernmental	205,511.19	-	205,511.19
Other	6,600.57	-	6,600.57
Total Current Receivables	$ 1,656,205.40	$ 795,528.20	$ 860,677.20

NOTE 6 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2021, is presented as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets, Nondepreciable:				
Land	$ 5,165,802.42	$ -	$ -	$ 5,165,802.42
Construction in Progress	9,656,075.58	3,815,217.29	24,704.00	13,446,588.87
Total Capital Assets, Nondepreciable	14,821,878.00	3,815,217.29	24,704.00	18,612,391.29
Capital Assets, Depreciable:				
Buildings	124,829,081.38	24,704.00	-	124,853,785.38
Machinery and Equipment	17,823,881.21	918,003.02	763,442.70	17,978,441.53
General Infrastructure	4,373,790.04	-	-	4,373,790.04
Total Capital Assets, Depreciable	147,026,752.63	942,707.02	763,442.70	147,206,016.95
Less Accumulated Depreciation for:				
Buildings	32,241,972.12	2,494,893.23	-	34,736,865.35
Machinery and Equipment	7,422,085.04	791,968.88	443,315.35	7,770,738.57
General Infrastructure	1,357,306.77	87,475.58	-	1,444,782.35
Total Accumulated Depreciation	41,021,363.93	3,374,337.69	443,315.35	43,952,386.27
Total Capital Assets, Depreciable, Net	106,005,388.70	(2,431,630.67)	320,127.35	103,253,630.68
Capital Assets, Net	$ 120,827,266.70	$ 1,383,586.62	$ 344,831.35	$ 121,866,021.97

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2021, were as follows:

	Amount
Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 588,129.70
Accounts Payable - Capital Assets	153,849.57
Accrued Payroll	1,177,641.78
Contract Retainage	627,766.35
Total Accounts Payable and Accrued Liabilities	$ 2,547,387.40

NOTE 8 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2021, is presented as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Long-Term Liabilities					
Compensated Absences	$ 3,974,582.74	$ 2,791,414.30	$ 2,166,220.52	$ 4,599,776.52	$ 620,969.83
Net Pension Liability	18,824,321.00	3,025,971.00	-	21,850,292.00	-
Net Other Postemployment Benefit Liability	48,843,366.00	-	6,728,317.00	42,115,049.00	-
Total Long-Term Liabilities	$ 71,642,269.74	$ 5,817,385.30	$ 8,894,537.52	$ 68,565,117.52	$ 620,969.83

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

NOTE 9 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for the rental of equipment and facilities. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2021:

Fiscal Year	Amount
2022	$ 627,282.60
2023	642,632.35
2024	589,442.03
2025	5,658.12
2026	4,243.59
Total Minimum Lease Payments	$ 1,869,258.69

Rental expense for all operating leases during the year was $622,676.75.

NOTE 10 - 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	$ (13,039,719.00)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(62,086,667.00)
Effect on Unrestricted Net Position	(75,126,386.00)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	246,815.48
Total Unrestricted Net Position	$ (74,879,570.52)

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

NOTE 11 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	$ 13,308,488.72	$ 6,579,550.70	$ 48,477.42	$ 6,680,460.60
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	$ 124,497.52	$ -	$ 720.02	$ 123,777.50
Bookstore	1,235,665.27	-	19,394.64	1,216,270.63
Parking	1,603.60	-	-	1,603.60
Other	36,702.83	-	-	36,702.83
Sales and Services of Education and Related Activities	36,728.59	-	-	36,728.59
Total Sales and Services, Net	$ 1,435,197.81	$ -	$ 20,114.66	$ 1,415,083.15

NOTE 12 - 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	$ 28,249,781.47	$ 3,870,441.98	$ -	$ 11,798.29	$ -	$ 32,132,021.74
Academic Support	7,871,437.79	249,826.97	-	2,964.88	-	8,124,229.64
Student Services	5,810,872.80	762,191.72	-	-	-	6,573,064.52
Institutional Support	4,531,201.59	2,178,811.42	-	318,245.02	-	7,028,258.03
Operations and Maintenance of Plant	2,178,041.67	5,631,202.46	-	1,327,629.83	-	9,136,873.96
Student Financial Aid	-	2,374,207.06	10,443,503.78	45,260.38	-	12,862,971.22
Auxiliary Enterprises	194,394.54	1,040,775.74	-	-	-	1,235,170.28
Depreciation	-	-	-	-	3,374,337.69	3,374,337.69
Total Operating Expenses	$ 48,835,729.86	$ 16,107,457.35	$ 10,443,503.78	$ 1,705,898.40	$ 3,374,337.69	$ 80,466,927.08

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 $2,098,328.31 provided by the 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 11.

NOTE 13 - PENSION PLANS

Defined Benefit Plan

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership 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 membership 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.

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, 2021 was 14.78% of covered payroll. Employee contributions to the pension plan were $1,814,865.72, and the College's contributions were $4,470,619.21 for the year ended June 30, 2021.

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 2020 *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 participate 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 2020 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2021, the College reported a liability of $21,850,292.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. 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, 2020, the College's proportion was 0.18085%, which was a decrease of 0.00073 from its proportion measured as of June 30, 2019, which was 0.18158%.

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	12/31/2019
Inflation	3%
Salary Increases*	3.5% - 8.1%
Investment Rate of Return**	7%

* 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, 2019 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, 2020 (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, 2020 is 1.2%.

Discount Rate: The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2019 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, 2020 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%)
$ 39,325,393.03	$ 21,850,292.00	$ 7,192,297.80

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2021, the College recognized pension expense of $6,236,424.00. At June 30, 2021, 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	$ 1,204,069.00	$ -
Changes of Assumptions	740,445.00	-
Net Difference Between Projected and Actual Earnings on Plan Investments	2,416,418.00	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	94,956.79	115,935.00
Contributions Subsequent to the Measurement Date	4,470,619.21	-
Total	$ 8,926,508.00	$ 115,935.00

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2022. 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 Ending June 30:	Amount
2022	$ 1,422,047.00
2023	1,205,838.00
2024	992,197.00
2025	719,871.79
Total	$ 4,339,953.79

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

The College participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2020 *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.

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 2020 *Comprehensive Annual Financial Report.*

B. Plan Descriptions

1. Health Benefits

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

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

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

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 15. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, the Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina

General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium.

Section 35.21 (c) & (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in the Teachers' and State Employees' Retirement System (or in an allowed local system unit), the Consolidated Judicial Retirement System, or the Legislative Retirement System prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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, 2021 was 6.68% of covered payroll. The College's contributions to the RHBF were $2,020,550.50 for the year ended June 30, 2021.

In fiscal year 2020, the State Health Plan (the Plan) transferred $475.2 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2021, the College recognized noncapital contributions for RHBF of $721,430.00.

2. Disability Income

Plan Administration: As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, LEAs which are not part of the reporting entity, and the ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing five years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of $3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than $10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The College's contractually-required contribution rate for the year ended June 30, 2021 was 0.09% of covered payroll. The College's contributions to DIPNC were $27,222.99 for the year ended June 30, 2021.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2021, the College reported a liability of $42,115,049.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. 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, 2020, the College's proportion was 0.15182%, which was a decrease of 0.00255 from its proportion measured as of June 30, 2019, which was 0.15437%.

Net OPEB Asset: At June 30, 2021, the College reported an asset of $76,142.00 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. 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, 2020, the College's proportion was 0.15478%, which was a decrease of 0.00140 from its proportion measured as of June 30, 2019, which was 0.15618%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2019, 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, 2020 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2019	12/31/2019
Inflation	3%	3%
Salary Increases*	3.5% - 8.1%	3.5% - 8.1%
Investment Rate of Return**	7%	3.75%
Healthcare Cost Trend Rate - Medical	6.5% grading down to 5% by 2024	6.5% grading down to 5% by 2024
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2029	9.5% grading down to 5% by 2029
Healthcare Cost Trend Rate - Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate - Administrative	3%	3%

* 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, 2020.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2020 (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, 2020 is 1.2%.

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, 2019 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 2.21%. 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 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

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 (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
RHBF	$ 49,947,100.87	$ 42,115,049.00	$ 35,807,032.42
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	$ (65,759.83)	$ (76,142.00)	$ (86,223.29)

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% - 5.5%, Pharmacy - 4% - 8.5%, Med. Advantage - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF	$ 33,953,240.38	$ 42,115,049.00	$ 53,027,001.86

	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC	$ (76,267.85)	$ (76,142.00)	$ (76,032.58)

OPEB Expense: For the fiscal year ended June 30, 2021, the College recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	$ (3,006,784.00)
DIPNC	64,606.00
Total OPEB Expense	$ (2,942,178.00)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 38,153.00	$ 55,159.00	$ 93,312.00
Changes of Assumptions	1,846,985.00	5,920.00	1,852,905.00
Net Difference Between Projected and Actual Earnings on Plan Investments	88,720.50	-	88,720.50
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	-	17,722.01	17,722.01
Contributions Subsequent to the Measurement Date	2,020,550.50	27,222.99	2,047,773.49
Total	$ 3,994,409.00	$ 106,024.00	$ 4,100,433.00

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 1,647,593.00	$ -	$ 1,647,593.00
Changes of Assumptions	17,090,952.00	5,996.00	17,096,948.00
Net Difference Between Projected and Actual Earnings on Plan Investments	-	12,899.00	12,899.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	5,227,482.00	-	5,227,482.00
Total	$ 23,966,027.00	$ 18,895.00	$ 23,984,922.00

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in OPEB Expense:

Year Ending June 30:	RHBF	DIPNC
2022	$ (7,784,638.00)	$ 18,872.00
2023	(7,780,013.00)	13,693.00
2024	(3,469,330.00)	8,428.00
2025	(1,428,421.00)	11,781.00
2026	(1,529,766.50)	1,953.00
Thereafter	-	5,179.01
Total	$ (21,992,168.50)	$ 59,906.01

NOTE 15 - RISK MANAGEMENT

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

A. 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 and employee contributions. The Plan has contracted with third parties to process claims. See Note 14, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

Term life insurance (death benefits) of $25,000 to $50,000 is provided to eligible workers 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 0.13% 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 for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 14, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

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 $5,000,000 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. In addition, the College is protected for losses from employee dishonesty and computer fraud for employees paid from county and institutional funds by contracts with private insurance companies.

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 in whole or in part from county or institutional funds.

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

NOTE 16 - 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 $444,440.41 and on other purchases were $1,945,136.36 at June 30, 2021.

NOTE 17 - THE CORONAVIRUS PANDEMIC EMERGENCY

In response to the coronavirus pandemic emergency, the federal government provided grants to the State and the College through various coronavirus program funds appropriated by (1) The Coronavirus Aid, Relief, and Economic Security (CARES) Act, (2) The Coronavirus Response and Relief Supplemental Appropriations within the Federal Consolidated Appropriations Act of 2021 (CRRSA), and (3) The American Rescue Plan Act of 2021 (ARP).

The grant revenues from the various coronavirus program funds are contingent upon meeting the terms and conditions of the grant and signed agreements with the funding agencies, incurring qualifying expenditures, and are reported in the following nonoperating revenue captions of the financial statements:

State Aid - Coronavirus - This caption includes grant funds received directly by the State from the U.S. Department of the Treasury, Coronavirus Relief Fund (CRF), and appropriated by the State to the College.

Federal Aid - COVID-19 - This caption includes grant funds received directly by the College from the U.S. Department of Education, Higher Education Emergency Relief Funds (HEERF).

Summary of State and Federal Aid - COVID-19 Revenue Activities for the Fiscal Year Ended June 30, 2021:

Program	Total Authorized Award	2020 Earned Revenue	2021 Earned Revenue
State Aid - Coronavirus:	N/A	$ 271,381.00	$ 1,309,258.00
Federal Aid - COVID-19:			
HEERF Funds	$ 32,544,075.00	$ 1,633,067.46	$ 4,546,160.23

NOTE 18 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2021, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 84, Fiduciary Activities

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

GASB Statement No. 98, The Annual Comprehensive Financial Report

GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for 90-days or less.

GASB Statement No. 97's primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit C-1

Teachers' and State Employees' Retirement System	**2021**	**2020**	**2019**	**2018**
Proportionate Share Percentage of Collective Net Pension Liability	0.18085%	0.18158%	0.18524%	0.19762%
Proportionate Share of TSERS Collective Net Pension Liability	$ 21,850,292.00	$ 18,824,321.00	$ 18,442,659.00	$ 15,680,042.00
Covered Payroll	$ 29,796,145.60	$ 29,987,401.39	$ 29,630,871.18	$ 30,397,244.49
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	73.33%	62.77%	62.24%	51.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.98%	87.56%	87.61%	89.51%

	2017	**2016**	**2015**	**2014**
Proportionate Share Percentage of Collective Net Pension Liability	0.20352%	0.20105%	0.20503%	0.18960%
Proportionate Share of TSERS Collective Net Pension Liability	$ 18,705,590.00	$ 7,409,091.00	$ 2,403,815.00	$ 11,510,652.00
Covered Payroll	$ 29,982,592.79	$ 29,572,013.66	$ 28,963,772.61	$ 27,791,990.87
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	62.39%	25.05%	8.30%	41.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.32%	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 ended June 30.

Forsyth Technical Community College
Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years ***Exhibit C-2***

Teachers' and State Employees' Retirement System	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually Required Contribution	$ 4,470,619.21	$ 3,864,560.08	$ 3,685,451.63	$ 3,194,207.91	$ 3,033,645.00
Contributions in Relation to the Contractually Determined Contribution	4,470,619.21	3,864,560.08	3,685,451.63	3,194,207.91	3,033,645.00
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 30,247,761.92	$ 29,796,145.60	$ 29,987,401.39	$ 29,630,871.18	$ 30,397,244.49
Contributions as a Percentage of Covered Payroll	14.78%	12.97%	12.29%	10.78%	9.98%

	2016	**2015**	**2014**	**2013**	**2012**
Contractually Required Contribution	$ 2,743,407.24	$ 2,705,839.25	$ 2,516,951.84	$ 2,315,072.84	$ 1,916,703.34
Contributions in Relation to the Contractually Determined Contribution	2,743,407.24	2,705,839.25	2,516,951.84	2,315,072.84	1,916,703.34
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 29,982,592.79	$ 29,572,013.66	$ 28,963,772.61	$ 27,791,990.87	$ 25,762,141.56
Contributions as a Percentage of Covered Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

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

Forsyth Technical 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, 2021

Changes of Benefit Terms:

	Cost of Living Increase									
Teachers' and State Employees'	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Retirement System	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A

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 7.20% to 7.00% for the December 31, 2017 valuation. For the December 31, 2019 valuation, the discount rate was 7.00%.

The Boards 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 2020 *Comprehensive Annual Financial Report*.

N/A - Not Applicable

Forsyth Technical 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 Five Fiscal Years**

Exhibit C-3

Retiree Health Benefit Fund	**2021**	**2020**	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability	0.15182%	0.15437%	0.15951%	0.16632%	0.17860%
Proportionate Share of Collective Net OPEB Liability	$ 42,115,049.00	$ 48,843,366.00	$ 45,442,144.00	$ 54,530,162.00	$ 77,697,071.00
Covered Payroll	$ 29,796,145.60	$ 29,987,401.39	$ 29,630,871.18	$ 30,397,244.49	$ 29,982,592.79
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	141.34%	162.88%	153.36%	179.39%	259.14%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.92%	4.40%	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina					
Proportionate Share Percentage of Collective Net OPEB Asset	0.15478%	0.15618%	0.15941%	0.17166%	0.17940%
Proportionate Share of Collective Net OPEB Asset	$ 76,142.00	$ 67,392.00	$ 48,422.00	$ 104,919.00	$ 111,407.00
Covered Payroll	$ 29,796,145.60	$ 29,987,401.39	$ 29,630,871.18	$ 30,397,244.49	$ 29,982,592.79
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.26%	0.22%	0.16%	0.35%	0.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	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 ended June 30.

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

Exhibit C-4

Retiree Health Benefit Fund	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually Required Contribution	$ 2,020,550.50	$ 1,927,810.62	$ 1,880,210.07	$ 1,792,667.71	$ 1,766,079.91
Contributions in Relation to the Contractually Determined Contribution	2,020,550.50	1,927,810.62	1,880,210.07	1,792,667.71	1,766,079.91
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 30,247,761.92	$ 29,796,145.60	$ 29,987,401.39	$ 29,630,871.18	$ 30,397,244.49
Contributions as a Percentage of Covered Payroll	6.68%	6.47%	6.27%	6.05%	5.81%

	2016	**2015**	**2014**	**2013**	**2012**
Contractually Required Contribution	$ 1,679,025.20	$ 1,623,503.55	$ 1,564,043.72	$ 1,472,975.52	$ 1,288,107.08
Contributions in Relation to the Contractually Determined Contribution	1,679,025.20	1,623,503.55	1,564,043.72	1,472,975.52	1,288,107.08
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 29,982,592.79	$ 29,572,013.66	$ 28,963,772.61	$ 27,791,990.87	$ 25,762,141.56
Contributions as a Percentage of Covered Payroll	5.60%	5.49%	5.40%	5.30%	5.00%

Disability Income Plan of North Carolina	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually Required Contribution	$ 27,222.99	$ 29,796.15	$ 41,982.36	$ 41,483.22	$ 115,509.53
Contributions in Relation to the Contractually Determined Contribution	27,222.99	29,796.15	41,982.36	41,483.22	115,509.53
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 30,247,761.92	$ 29,796,145.60	$ 29,987,401.39	$ 29,630,871.18	$ 30,397,244.49
Contributions as a Percentage of Covered Payroll	0.09%	0.10%	0.14%	0.14%	0.38%

	2016	**2015**	**2014**	**2013**	**2012**
Contractually Required Contribution	$ 122,928.63	$ 121,245.26	$ 127,440.60	$ 122,284.76	$ 133,963.14
Contributions in Relation to the Contractually Determined Contribution	122,928.63	121,245.26	127,440.60	122,284.76	133,963.14
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 29,982,592.79	$ 29,572,013.66	$ 28,963,772.61	$ 27,791,990.87	$ 25,762,141.56
Contributions as a Percentage of Covered Payroll	0.41%	0.41%	0.44%	0.44%	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.

Forsyth Technical 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, 2021

Changes of Benefit Terms: Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of five 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 five 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 changed for one of four options of the RHBF. Out of pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pockets maximums, and deductibles were changed for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

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

Changes of Assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Boards of Trustees of the Teachers’ and State Employees’ Retirement System and the State Health Plan adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement and rates of termination from active employment were reduced to more closely reflect actual experience.

For the actuarial valuation measured as of June 30, 2020, the discount rate for the RHBF was updated to 2.21%. In the prior year, 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 claim costs 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 among 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 assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were released December 2019.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina’s 2020 *Comprehensive Annual Financial Report* .

Independent Auditor's Report

STATE OF NORTH CAROLINA

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Beth A. Wood, CPA
State Auditor

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

Board of Trustees
Forsyth Technical Community College
Winston-Salem, 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 Forsyth Technical 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, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 27, 2022. The financial statements of Forsyth Technical 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 Forsyth Technical 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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

January 27, 2022

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This audit required 409 hours at an approximate cost of $43,354.