

STATE OF NORTH CAROLINA

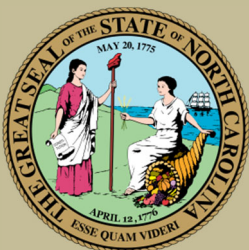
OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



CARTERET COMMUNITY COLLEGE

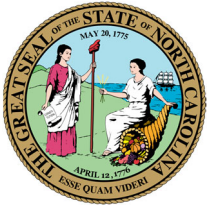
MOREHEAD CITY, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2022

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



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The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699
Telephone: (919) 807-7500
Fax: (919) 807-7647
www.auditor.nc.gov

AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Carteret Community College for the year ended June 30, 2022, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

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

Beth A. Wood, CPA
State Auditor

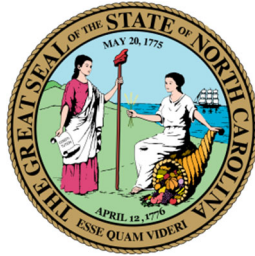


Beth A. Wood, CPA
State Auditor

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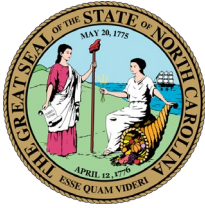
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Chapter 147, Article 5A of the North Carolina General Statutes, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The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



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Carteret Community College
Morehead City, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Carteret 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, 2022, 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 Carteret Community College, and its discretely presented component unit, as of June 30, 2022, 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 Carteret Community College Foundation, Inc., 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 Carteret Community College Foundation, Inc., 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.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

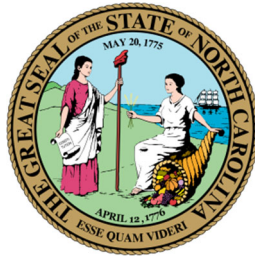
In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2023 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 6, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS

Carteret Community College (College) is pleased to present the Management's Discussion and Analysis of its financial activities for the fiscal year ended June 30, 2022. It provides an objective and easily readable analysis of the institution's financial activities based on currently known facts, decisions, and conditions. The reader is encouraged to consider the information presented here in conjunction with the accompanying financial statements and notes to the financial statements to gain a better understanding.

This discussion and analysis only reflects the activity of the College and not Carteret Community College Foundation, Inc. (Foundation), the College's discretely presented component unit. See Note 1 to the financial statements for information on how to obtain complete financial statements for the Foundation.

Financial Statement Presentation

The College's basic financial statements 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. In summary, the reporting format is intended to condense and simplify the user's analysis of costs of various college services to students and the public. The three statements are featured below with brief descriptions of each financial focus.

The Statement of Net Position is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources with capital assets. The Statement of Net Position includes all assets, deferred outflows, liabilities, and deferred inflows with the difference being reported as net position. Over time, increases or decreases in net position are indicators of the improvement or erosion of the College's financial health. (Exhibit A-1)

The Statement of Revenues, Expenses, and Changes in Net Position spotlights both the gross costs and the net costs of College activities, which are supported by state, local, federal, and other revenues. This statement presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A community college's dependency on state aid and gifts could result in operating deficits because the financial reporting model classifies state and local appropriations and gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. (Exhibit A-2)

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing, and related investing activities, and helps measure the ability to meet financial obligations as they mature. (Exhibit A-3)

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

Financial Highlights for Fiscal Year 2022

Overall, the College's net position increased by \$2.76 million over the past year. See below for discussion of the increase. The College remains stable and poised to continue its mission of providing services to the community.

State funds for North Carolina community colleges are appropriated by the North Carolina General Assembly and distributed to colleges by the North Carolina State Board of Community Colleges based on full-time equivalents (FTE) earned in the prior academic year or a two-year average, whichever is greater. The College's total budget FTE decreased from 1,870 to 1,665 for the fiscal year 2021-2022, or (10.96%). Due to experiencing a decline in enrollment during the previous years, the College received nonrecurring state fiscal recovery funds that were appropriated by the North Carolina Legislature for community colleges that experienced a decline in enrollment due to the COVID-19 pandemic.

	Budget FTE		Percent Change
	2021-2022	2020-2021	
Curriculum	1,264	1,364	-7.33%
Continuing Education	314	363	-13.50%
Basic Skills	87	143	-39.16%
Total	1,665	1,870	-10.96%

However, according to fiscal year 2021-2022 dashboard information provided by the North Carolina Community College System Office website, Carteret Community College served more than 5,755 students and experienced an increase in actual FTE for curriculum, continuing education, and basic skills.

	Actual FTE		Percent Change
	2021-2022	2020-2021	
Curriculum	1,450	1,214	19.44%
Continuing Education	399	315	26.67%
Basic Skills	90	51	76.47%
Total	1,939	1,580	22.72%

These increases can be attributed to an aggressive marketing campaign making students and potential students aware of federal and state aid and scholarship funds that cover tuition, fees, and course materials as well as offering childcare and transportation assistance.

Condensed Statement of Net Position

Below is a condensed comparative analysis between the Statement of Net Position for the fiscal year ended June 30, 2022 and the prior fiscal year.

Condensed Statement of Net Position (in thousands)			
	June 30, 2022	June 30, 2021 (as Restated)	Change
Assets			
Current Assets	\$ 2,535.56	\$ 2,310.62	\$ 224.94
Noncurrent Assets:			
Capital Assets, Net of Depreciation/Amortization	34,648.19	35,281.67	(633.48)
Other	1,819.64	467.10	1,352.54
Total Assets	39,003.39	38,059.39	944.00
Total Deferred Outflows of Resources	4,974.87	4,337.90	636.97
Liabilities			
Current Liabilities	1,081.25	1,044.44	36.81
Long-Term Liabilities	15,926.38	18,294.40	(2,368.02)
Total Liabilities	17,007.63	19,338.84	(2,331.21)
Total Deferred Inflows of Resources	6,346.71	5,193.69	1,153.02
Net Position			
Net Investment in Capital Assets	34,347.86	34,953.23	(605.37)
Restricted	2,676.12	739.01	1,937.11
Unrestricted	(16,400.06)	(17,827.48)	1,427.42
Total Net Position	\$ 20,623.92	\$ 17,864.76	\$ 2,759.16

Analysis of Assets

- Current assets include cash and cash equivalents, short-term investments, receivables, leases receivable, inventories, prepaid items, and notes receivables. Current assets had an increase of \$225 thousand from the previous year mainly due to an increase in unrestricted cash and cash equivalents of \$446 thousand and an increase in restricted cash and cash equivalents of \$625 thousand. The increase in unrestricted and restricted cash was due in part to increases in enrollment which resulted in more tuition and fees being collected. In addition, current restricted cash increased due to funds received from the Higher Education Emergency Relief Funds (HEERF) to replace revenue losses as a result of the pandemic. The increase in cash was also the result of an increase in the College's collection of a receivable from the United States Department of Agriculture (USDA) Distance Learning Telemedicine Grant which resulted in a decrease in receivables of \$717 thousand.
- Noncurrent assets include restricted cash and cash equivalents, restricted investments, net other postemployment benefits (OPEB) asset, leases receivable, and capital assets, net. The increase of \$1.35 million in other noncurrent assets was primarily due to an increase of \$1.19 million in noncurrent restricted cash and cash equivalents. This increase is due to a \$1.9 million capital contribution from the State Capital and Infrastructure Fund (SCIF) for a Fire Training Tower and capital improvement projects.
- Capital assets, net decreased by \$633 thousand and is discussed in the Analysis of Net Capital Assets section.

Analysis of Liabilities

- Current liabilities include accounts payable and accrued liabilities, unearned revenues, and the current portion of leases payable and compensated absences. The change during the year was minimal. Noncurrent liabilities include the net pension liability, net OPEB liability, leases payable, and long-term portion of compensated absences for vacation leave due to employees. The \$2.37 million decrease is mainly from changes in the actuarial valuation for the College's net pension liability and net OPEB liability. See Notes 7, 12, and 13 of the Notes to the Financial Statements for further details.

Analysis of Deferred Outflows/Inflows of Resources

- Deferred outflows of resources related to pensions and OPEB increased by \$637 thousand due to changes in actuarial assumptions, the difference between expected results and actual experience, as well as College contributions to the plans. Deferred inflows of resources related to pensions, OPEB, and lease arrangements increased by \$1.15 million primarily due to actuarial changes in assumptions and differences between actual and expected experience. For more information about the College's deferred outflows and inflows of resources related to pensions and OPEB, see Notes 12 and 13 of the Notes to the Financial Statements.

Analysis of Net Position

- Net position is the difference between the College's assets plus deferred outflows of resources less liabilities and deferred inflows of resources. For fiscal year 2021-2022, the College's net position increased by \$2.76 million.
- The decrease in the deficit of \$1.43 million in unrestricted net position reflects the effect of recording the College's net pension liability, net OPEB liability, and their respective related deferred inflows and outflows. See changes described above for changes to unrestricted net position.
- Net investment in capital assets decreased \$605 thousand for the year primarily due to depreciation/amortization of capital assets.
- Restricted net position increased \$1.94 million primarily due to the SCIF funds received for capital infrastructure projects.

Analysis of Net Capital Assets

- The College implemented Governmental Accounting Standards Board Statement (GASB) No. 87, *Leases*, to recognize certain lease assets. The table below shows the classifications of the College's capital assets as of June 30, 2022. Changes to construction in progress and buildings were due to the completion of the Hospitality and Culinary Arts Center and the Career Center Renovation. The main capital equipment purchases for fiscal year 2021-2022 were a respiratory simulator and portable X-Ray machine for the allied health program; two tractor trailers for the Commercial Driver's License program; and an electronic marquee for the College campus. These additions were offset by the disposal of machinery and equipment that were considered obsolete. Accumulated depreciation/amortization also increased by \$753 thousand as yearly depreciation/amortization was taken on depreciable assets.

See Note 5 of the Notes to the Financial Statements for further details.

Capital Assets (in thousands)			
	June 30, 2022	June 30, 2021 (as Restated)	Change
Capital Assets			
Land	\$ 5,689.10	\$ 5,689.10	\$ -
Construction in Progress	130.69	8,732.07	(8,601.38)
Buildings	33,062.02	24,423.03	8,638.99
Machinery and Equipment	4,844.82	4,802.84	41.98
General Infrastructure	2,464.48	2,464.48	-
Right-to-Use Lease Asset - Building	124.77	124.77	-
Right-to-Use Lease Asset - Machinery and Equipment	243.37	203.67	39.70
Total	46,559.25	46,439.96	119.29
Less: Accumulated Depreciation/Amortization	11,911.06	11,158.29	752.77
Net Capital Assets	\$ 34,648.19	\$ 35,281.67	\$ (633.48)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Below is a condensed comparative analysis between the Statement of Net Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2022 and the prior fiscal year.

Condensed Statement of Revenues, Expenses, and Changes in Net Position (in thousands)			
	June 30, 2022	June 30, 2021	Change
Operating Revenues:			
Student Tuition and Fees, Net	\$ 1,723.92	\$ 1,522.12	\$ 201.80
State and Local Grants and Contracts	41.75	107.59	(65.84)
Sales and Services	107.67	110.34	(2.67)
Lease Income	8.97	-	8.97
Other Operating Revenue	144.79	75.91	68.88
Total Operating Revenues	2,027.10	1,815.96	211.14
Operating Expenses:			
Salaries and Benefits	13,117.77	13,190.32	(72.55)
Supplies and Services	4,530.87	4,439.15	91.72
Scholarships and Fellowships	4,616.55	2,397.78	2,218.77
Utilities	545.36	449.40	95.96
Depreciation / Amortization	924.52	623.53	300.99
Total Operating Expenses	23,735.07	21,100.18	2,634.89
Operating Loss	(21,707.97)	(19,284.22)	(2,423.75)
Nonoperating Revenues (Expenses):			
State Aid	9,310.31	9,810.69	(500.38)
County Appropriations	2,775.00	2,665.00	110.00
Student Financial Aid	5,047.90	3,092.73	1,955.17
State Aid - Coronavirus Relief Fund	-	230.72	(230.72)
Federal Aid - COVID-19	3,364.44	1,685.24	1,679.20
Noncapital Contributions	1,331.09	1,961.36	(630.27)
Investment Income	1.43	0.23	1.20
Interest Earned on Leases	1.03	-	1.03
Other Nonoperating Revenues (Expenses)	(13.43)	39.45	(52.88)
Net Nonoperating Revenues	21,817.77	19,485.42	2,332.35
Other Revenues:			
State Capital Aid	239.36	654.32	(414.96)
County Capital Aid	504.04	1,447.22	(943.18)
Capital Contributions	1,905.96	4,456.04	(2,550.08)
Total Other Revenues	2,649.36	6,557.58	(3,908.22)
Increase in Net Position	2,759.16	6,758.78	(3,999.62)
Net Position, July 1, 2021	17,864.76	11,105.98	6,758.78
Net Position, June 20, 2022	\$ 20,623.92	\$ 17,864.76	\$ 2,759.16

Fiscal Year 2020-2021 total revenues are \$27,858,964.93 and total expenses are \$21,100,180.43
 Fiscal Year 2021-2022 total revenues are \$26,507,662.17 and total expenses are \$23,748,498.25

Analysis of Revenues and Operating Expenses

- Operating revenues are received for providing goods and services to various customers and constituencies of the College. The major components of operating revenues are student tuition and fees, net, state and local grants and contracts, sales and services revenue, lease income, and other operating revenues. The increase of \$211 thousand in operating revenues was primarily due to the \$202 thousand increase in student tuition and fees, net due to enrollment increases from the prior year.
- Operating expenses are used to acquire or produce resources required to provide for the mission of the College. The majority of operating expenses are for direct costs of salaries and fringe benefits. Other expenses are for operating activities which are necessary and essential to the mission of the College. Operating expenses for fiscal year 2021-2022 totaled \$23.74 million. There was a significant increase of \$2.22 million in scholarships and fellowships due to payments to students from the HEERF, Supplemental Assistance to Institutions of Higher Education (SAIHE), and the Governors Emergency Education Relief (GEER) Scholarship. Additionally, depreciation/amortization expense increased \$301 thousand due to the addition of projects discussed above.
- Nonoperating revenues are revenues for which goods and services are not provided. The major components of nonoperating revenues are state aid, county appropriations, student financial aid, federal aid COVID-19, and noncapital contributions. The decrease in state aid of \$500 thousand was mainly due to a decrease in the College's fiscal year 2021-2022 budget FTE. The Carteret County Board of Commissioners increased the College's annual county appropriations by \$110 thousand for fiscal year 2021-2022. The increase of \$1.96 million in student financial aid was mainly due to more students meeting the eligibility requirements for Pell, Federal Work Study, North Carolina State Education Lottery, and the NC Community College Grant. The increase in federal aid COVID-19 of \$1.68 million was for the mitigation of the negative impact of the coronavirus on the College and its students. The decrease in noncapital contributions of \$630 thousand was due to a telemedicine grant the College received in the prior year.
- Other revenues consist of capital contributions, state capital aid, and county capital aid. The decrease of \$943 thousand in county capital aid resulted from the College's projects funded by the County nearing completion at the end of the prior year. The decrease of \$2.55 million in capital contributions was due in part to funds received from the College's Foundation in prior fiscal year for the Hospitality and Culinary Arts Center. The Foundation organized a capital campaign to raise funds for the Hospitality and Culinary Arts Center. The building project was completed in fiscal year 2021-2022 and additional funds were not needed. The decrease to capital contributions was offset by capital contributions from the State Capital and Infrastructure Fund (SCIF) for a Fire Training Tower and other capital improvement projects. The decrease in state capital aid is also associated with the completion of the Hospitality and Culinary Arts Center.

Forecast

Founded in 1963, Carteret Community College is one of 58 institutions comprising the North Carolina Community College System Office. Located in Morehead City, N.C., the College lies on the shores of the beautiful Bogue Sound – part of the Atlantic Intracoastal Waterway. In

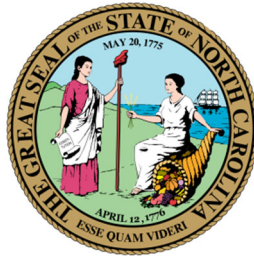
addition to the main campus, Carteret Community College has satellite classrooms at the Western Carteret Library in Cape Carteret, East Carteret High School, Station Club Enterprises, and the Newport Correctional Facility. The College features a wide range of programs, including university transfer courses, career and occupational offerings, partnerships with four-year universities, specialized workforce training options, developmental studies, and basic skills classes.

The financial position of the College is strong. Higher enrollment numbers yield higher funding in the next fiscal year based on the formula driven model employed by the North Carolina Community College System. The College has leftover HEERF funds to continue to assist with covering tuition, fees, and course materials in the spring 2022 term. The College relies heavily on the relationship with the State of North Carolina and the North Carolina General Assembly to fund its operations. Carteret County continues to provide strong financial support for current operations and capital investment in the maintenance of the College's facilities and operations.

The 2020 census revealed a modest 2.8% growth in Carteret County over the last ten years. Additionally, the Interstate 42 (I-42) corridor project is well underway and has the potential to significantly impact Carteret County's population and business development growth. Carteret Community College will stay informed to anticipate and address the impacts of the new Interstate.

As a central part of the community, the College also works closely with numerous community agencies such as the Chamber of Commerce, Carteret County Tourism Development Bureau Board, and the Economic Development Council to encourage economic growth in the area. One of the College's newest programs includes Hospitality Management training to support the area's growing hospitality and tourism industry.

The College remains optimistic about the future and believes it will continue to respond to the community to provide services and education to the residents of Carteret County and be an integral part of our service region.



FINANCIAL STATEMENTS

Carteret Community College
Statement of Net Position
June 30, 2022

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 536,164.94
Restricted Cash and Cash Equivalents	799,276.82
Short-Term Investments	188,475.68
Restricted Short-Term Investments	165,621.05
Receivables, Net (Note 4)	659,708.07
Inventories	14,879.47
Prepaid Items	69,198.75
Notes Receivable	92,901.36
Leases Receivable (Note 8)	9,331.00
	<hr/>
Total Current Assets	2,535,557.14

Noncurrent Assets:

Restricted Cash and Cash Equivalents	1,488,654.89
Restricted Investments	314,385.49
Leases Receivable (Note 8)	9,708.00
Net Other Postemployment Benefits Asset	6,891.00
Capital Assets - Nondepreciable (Note 5)	5,819,784.67
Capital Assets - Depreciable, Net (Note 5)	28,828,410.19
	<hr/>
Total Noncurrent Assets	36,467,834.24

Total Assets	<hr/> 39,003,391.38
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	2,637,179.61
Deferred Outflows Related to Other Postemployment Benefits (Note 13)	2,337,694.00
	<hr/>
Total Deferred Outflows of Resources	4,974,873.61

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	729,365.48
Unearned Revenue	138,179.75
Long-Term Liabilities - Current Portion (Note 7)	213,708.19
	<hr/>
Total Current Liabilities	1,081,253.42

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	15,926,378.91
	<hr/>
Total Liabilities	17,007,632.33

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	2,861,316.00
Deferred Inflows Related to Other Postemployment Benefits (Note 13)	3,466,354.00
Deferred Inflows for Leases	19,039.00
	<hr/>
Total Deferred Inflows of Resources	6,346,709.00

Carteret Community College
Statement of Net Position
June 30, 2022

Exhibit A-1
Page 2 of 2

NET POSITION

Net Investment in Capital Assets	34,347,862.82
Restricted:	
Expendable:	
Student Financial Aid	150,725.81
Restricted for Specific Programs	351,010.82
Capital Projects	1,808,133.82
Other	366,253.25
Total Restricted-Expendable Net Position	<u>2,676,123.70</u>
Unrestricted	<u>(16,400,062.86)</u>
Total Net Position	<u><u>\$ 20,623,923.66</u></u>

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

Carteret Community College
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2022

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 10)	\$ 1,723,923.08
State and Local Grants and Contracts	41,749.88
Sales and Services	107,674.53
Lease Income	8,969.00
Other Operating Revenues	<u>144,785.83</u>
Total Operating Revenues	<u>2,027,102.32</u>

OPERATING EXPENSES

Salaries and Benefits	13,117,773.43
Supplies and Services	4,530,866.04
Scholarships and Fellowships	4,616,550.65
Utilities	545,356.91
Depreciation/Amortization	<u>924,525.98</u>
Total Operating Expenses	<u>23,735,073.01</u>
Operating Loss	<u>(21,707,970.69)</u>

NONOPERATING REVENUES (EXPENSES)

State Aid	9,310,306.48
County Appropriations	2,775,000.00
Student Financial Aid	5,047,902.80
Federal Aid - COVID-19	3,364,437.71
Noncapital Contributions	1,331,094.27
Investment Income	1,429.69
Interest Earned on Leases	1,031.00
Interest and Fees Paid on Leases	(10,789.48)
Other Nonoperating Expenses	<u>(2,635.76)</u>
Net Nonoperating Revenues	<u>21,817,776.71</u>
Income Before Other Revenues	<u>109,806.02</u>
State Capital Aid	239,361.85
County Capital Aid	504,040.53
Capital Contributions	<u>1,905,955.52</u>
Total Other Revenues	<u>2,649,357.90</u>
Increase in Net Position	2,759,163.92

NET POSITION

Net Position - July 1, 2021	<u>17,864,759.74</u>
Net Position - June 30, 2022	<u>\$ 20,623,923.66</u>

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

Carteret Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 2,178,960.44
Payments to Employees and Fringe Benefits	(14,694,567.58)
Payments to Vendors and Suppliers	(4,979,735.00)
Payments for Scholarships and Fellowships	(4,475,702.42)
Loans Issued to Students	(23,134.37)
Other Receipts	19,047.53
	<hr/>
Net Cash Used by Operating Activities	(21,975,131.40)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid	9,310,306.48
County Appropriations	2,775,000.00
Student Financial Aid	5,598,417.58
Federal Aid - COVID-19	3,364,437.71
Noncapital Contributions	1,161,805.73
	<hr/>
Cash Provided by Noncapital Financing Activities	22,209,967.50

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

State Capital Aid	239,361.85
County Capital Aid	504,040.53
Capital Contributions	1,905,955.52
Proceeds from Lease Arrangements	8,969.00
Interest Earned on Leases	1,031.00
Acquisition and Construction of Capital Assets	(572,433.56)
Principal Paid on Leases	(53,506.06)
Interest and Fees Paid on Leases	(10,789.48)
	<hr/>
Net Cash Provided by Capital Financing and Related Financing Activities	2,022,628.80

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	1,429.69
Purchase of Investments and Related Fees	(1,071.30)
	<hr/>
Net Cash Provided by Investing Activities	358.39
	<hr/>
Net Increase in Cash and Cash Equivalents	2,257,823.29
	<hr/>
Cash and Cash Equivalents - July 1, 2021	566,273.36
	<hr/>
Cash and Cash Equivalents - June 30, 2022	\$ 2,824,096.65

Carteret Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (21,707,970.69)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	924,525.98
Lease Income	(8,969.00)
Other Nonoperating Income	19,047.53
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	257,927.89
Inventories	(2,800.91)
Notes Receivable	(23,134.37)
Prepaid Items	(4,378.96)
Net Other Postemployment Benefits Asset	13,741.00
Deferred Outflows Related to Pensions	66,500.00
Deferred Outflows Related to Other Postemployment Benefits	(703,472.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	146,588.85
Unearned Revenue	44,663.46
Net Pension Liability	(3,662,060.00)
Net Other Postemployment Benefits Liability	1,584,135.00
Compensated Absences	(53,451.18)
Deferred Inflows Related to Pensions	2,849,880.00
Deferred Inflows Related to Other Postemployment Benefits	(1,715,904.00)
Net Cash Used by Operating Activities	<u>\$ (21,975,131.40)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$ 25,401.10
Loss on Disposal of Capital Assets	(21,683.29)
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(77,886.00)

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

Carteret Community College Foundation, Inc.
Statement of Financial Position
June 30, 2022

Exhibit B-1

ASSETS

Current Assets	
Cash	\$ 951,602
Investments	920,481
Unconditional Promises to Give	377,918
Donated Boat Inventory	<u>56,889</u>
Total Current Assets	<u>2,306,890</u>
Property and Equipment	
Property and Equipment, Net	1,981,124
Long-Term Assets	
Other Assets, Art Works, Net	11,997
Endowment Fund	<u>2,374,808</u>
Total Long-Term Assets	<u>2,386,805</u>
Total Assets	<u><u>\$ 6,674,819</u></u>

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 12,658
Deferred Revenue - Grants	368,290
Current Portion of Long-Term Debt	<u>182,959</u>
Total Current Liabilities	<u>563,907</u>
Noncurrent Liabilities	
Notes Payable, Net of Current Portion	<u>1,065,819</u>
Total Liabilities	<u>1,629,726</u>

NET ASSETS

Without Donor Restrictions	2,670,285
With Donor Restrictions	<u>2,374,808</u>
Total Net Assets	<u>5,045,093</u>
Total Liabilities and Net Assets	<u><u>\$ 6,674,819</u></u>

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

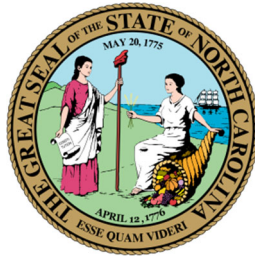
Carteret Community College Foundation, Inc.
Statement of Activities and Changes in Net Assets
For the Fiscal Year Ended June 30, 2022

Exhibit B-2

NET ASSETS WITHOUT DONOR RESTRICTIONS

Support:		
Cash Donations	\$	8,471
Noncash Donations		9,236
Boat Contributions, Net of Gains or Losses		179,964
Capital Campaign Revenues		131,386
Grant Revenues		538,030
Special Program Revenues		307,895
		<u>1,174,982</u>
Total Support		1,174,982
Other Revenues:		
Real Estate Rental Income		145,452
Investment Loss		(557,343)
Gain on Disposal of Assets		20
Miscellaneous Income		2,393
		<u>(409,478)</u>
Total Other Revenues		(409,478)
Net Assets Released from Donor Restrictions		<u>186,362</u>
Total Support and Revenues		<u>951,866</u>
Functional Expenses:		
Program Services		
College Support		536,481
Scholarships		198,995
		<u>735,476</u>
Total Program Services		735,476
Supporting Services		
Property Management		106,096
Foundation Administration		330,579
Boat Program Expenses		116,792
Fundraising Expenses		290,836
		<u>844,303</u>
Total Supporting Services		844,303
Total Functional Expenses		<u>1,579,779</u>
Decrease in Net Assets Without Donor Restrictions		<u>(627,913)</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Donations		186,362
Endowment Fund Contributions		328,538
Net Assets Released from Donor Restrictions		<u>(186,362)</u>
Increase in Net Assets with Donor Restrictions		<u>328,538</u>
Total Decrease in Net Assets		(299,375)
Net Assets at Beginning of Year		<u>5,344,468</u>
Net Assets at End of Year	\$	<u><u>5,045,093</u></u>

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



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Carteret 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 - Carteret 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 19-27 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2022, the Foundation distributed \$233,221.48 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Executive Director of Business Operations at Carteret Community College or the Executive Director of Carteret Community College Foundation, Inc.

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 Governmental Accounting Standards Board (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 undeposited receipts, petty cash, and cash on deposit with private bank accounts.

- E. Investments** - This classification includes a mutual fund holding by the College through the North Carolina Capital Management Trust - Cash Portfolio. Investments in the Trust are recorded at the net asset value (NAV) per share cost, which approximates fair market value held by the College. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the value of investments is recognized as a component of investment income.

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

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

- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs. Right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term, plus any upfront payments and ancillary charges paid to place the leased asset into service.

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. Lease payables are capitalized as a right-to-use asset when the leased asset has a cost of \$5,000 or greater and an estimated useful life of more than one year.

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

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

Amortization for right-to-use leased assets is computed using the straight-line method over the shorter of the lease term or the asset’s estimated useful life, unless the lease contains a purchase option the College is reasonably certain will be exercised. In those instances, the right-to-use leased asset is amortized over the asset’s estimated useful life.

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

The net pension liability represents the College’s proportionate share of the collective net pension liability reported in the State of North Carolina’s 2021 *Annual Comprehensive 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 12 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 2021 *Annual Comprehensive 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 13 for further information regarding the College’s policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

- K. **Compensated Absences** - The College’s policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees

and transferred into the next fiscal year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

L. Deferred Outflows/Inflows of Resources - Deferred outflows of resources represent a consumption of net assets 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 assets 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 - 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 9 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 and fees, 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 as approved by the county commissioners.

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - The College is required by North Carolina General Statute 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with North Carolina General Statute 115D-58.7. Official depositories may be established with any bank, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2022 was \$2,130.00. The carrying amount of the College's deposits not with the State Treasurer, was \$2,821,966.65, and the bank balance was \$3,570,114.56.

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, 2022, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

B. Investments

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

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

At June 30, 2022, the College’s investments consisted of \$668,482.22 in the North Carolina Capital Management Trust - Cash Portfolio. The investment is subject to the following risks:

Interest Rate Risk: Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures - An Amendment of GASB Statement No. 3*, as the risk a government may face should interest rate variances affect the value of investments. The College does not have a formal investment policy that addresses interest rate risk. The North Carolina Capital Management Trust - Cash Portfolio has a maturity of approximately 24 days at June 30, 2022.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have a formal policy that addresses credit risk. As of June 30, 2022, North Carolina Capital Management Trust - Cash Portfolio carried a credit rating of AAAM by Standard and Poor’s.

Component Unit - Investments of the College’s discretely presented component unit, Carteret Community College Foundation, Inc., (Foundation) are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type which represents amounts per the audited financial statements for the year ending June 30, 2022.

Investment Type	Fair Value
Money Market Funds	\$ 210,130
Equity Stocks	2,042,097
Real Assets	28,233
Fixed Income	1,014,829
Total Investments	\$ 3,295,289

NOTE 3 - FAIR VALUE MEASUREMENTS

College - To the extent available, the College's investments are recorded at fair value as of June 30, 2022. 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. |

North Carolina Capital Management Trust - At year-end, all of the College's investments valued at \$668,482.22 were held in the North Carolina Capital Management Trust - Cash Portfolio which is measured at the Net Asset Value (NAV) per share (or its equivalent). This fund seeks to obtain as high a level of current income as is consistent with the preservation of capital and liquidity and to maintain a constant NAV of \$1.00 per share. Management of the fund normally invest at least 99.5% of the fund's total in cash, U.S. Government securities, and/or repurchase agreements that are collateralized fully.

Component Unit - The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities and Changes in Net Assets.

The Foundation follows FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

NOTES TO THE FINANCIAL STATEMENTS

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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.

As required by ASC 820, the following table presents by level within the fair value hierarchy the Foundation investment assets at fair value, as of June 30, 2022. The Foundation carries its real estate investments at the fair market value as of the dates the investments were donated to the Foundation.

The Foundation's investments are detailed as follows:

Description	Fair Value Measurements at Reporting Date Using			
	6/30/2022	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Money Market Funds	\$ 210,130	\$ 210,130	\$ -	\$ -
Equity Stocks	2,042,097	2,042,097	-	-
Real Assets	28,233	28,233	-	-
Fixed Income	1,014,829	1,014,829	-	-
Total Investments	\$ 3,295,289	\$ 3,295,289	\$ -	\$ -

NOTE 4 - RECEIVABLES

Receivables at June 30, 2022, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 1,136,649.44	\$ 988,343.28	\$ 148,306.16
Student Sponsors	209,303.25	-	209,303.25
Intergovernmental	196,758.38	-	196,758.38
Other	105,340.28	-	105,340.28
Total Current Receivables	\$ 1,648,051.35	\$ 988,343.28	\$ 659,708.07

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2022, is presented as follows:

	Balance July 1, 2021 (as Restated)	Increases	Decreases	Balance June 30, 2022
Capital Assets, Nondepreciable:				
Land	\$ 5,689,096.17	\$ -	\$ -	\$ 5,689,096.17
Construction in Progress	8,732,069.11	37,605.20	8,638,985.81	130,688.50
Total Capital Assets, Nondepreciable	14,421,165.28	37,605.20	8,638,985.81	5,819,784.67
Capital Assets, Depreciable:				
Buildings	24,423,031.20	8,638,985.81	-	33,062,017.01
Machinery and Equipment	4,802,843.10	235,430.64	193,439.50	4,844,834.24
General Infrastructure	2,464,476.39	-	-	2,464,476.39
Right-to-Use Leased Buildings	124,770.02	-	-	124,770.02
Right-to-Use Leased Machinery and Equipment	203,666.98	39,703.54	-	243,370.52
Total Capital Assets, Depreciable	32,018,787.69	8,914,119.99	193,439.50	40,739,468.18
Less Accumulated Depreciation/Amortization for:				
Buildings	8,840,243.38	544,841.40	-	9,385,084.78
Machinery and Equipment	1,684,879.40	223,775.66	171,756.21	1,736,898.85
General Infrastructure	633,165.44	60,093.54	-	693,258.98
Right-to-Use Leased Buildings	-	41,590.01	-	41,590.01
Right-to-Use Leased Machinery and Equipment	-	54,225.37	-	54,225.37
Total Accumulated Depreciation/Amortization	11,158,288.22	924,525.98	171,756.21	11,911,057.99
Total Capital Assets, Depreciable, Net	20,860,499.47	7,989,594.01	21,683.29	28,828,410.19
Capital Assets, Net	\$ 35,281,664.75	\$ 8,027,199.21	\$ 8,660,669.10	\$ 34,648,194.86

At year-end, the total amount of leased assets was \$368,140.54 and the related accumulated amortization was \$95,815.38.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2022, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 462,409.02
Accounts Payable - Capital Assets	25,401.10
Accrued Payroll	241,555.36
Total Current Accounts Payable and Accrued Liabilities	\$ 729,365.48

NOTE 7 - LONG-TERM LIABILITIES

Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2022, is presented as follows:

	Balance July 1, 2021 (as Restated)	Additions	Reductions	Balance June 30, 2022	Current Portion
Leases Payable	\$ 328,437.00	\$ -	\$ 53,506.06	\$ 274,930.94	\$ 99,189.85
Compensated Absences	775,208.34	552,302.76	605,753.94	721,757.16	114,518.34
Net Pension Liability	5,929,844.00	-	3,662,060.00	2,267,784.00	-
Net Other Postemployment Benefits Liability	11,369,366.00	1,506,249.00	-	12,875,615.00	-
Total Long-Term Liabilities	\$ 18,402,855.34	\$ 2,058,551.76	\$ 4,321,320.00	\$ 16,140,087.10	\$ 213,708.19

Additional information regarding leases payable is included in Note 8.

Additional information regarding the net pension liability is included in Note 12.

Additional information regarding the net other postemployment benefits liability is included in Note 13.

NOTE 8 - LEASES

The College's leasing arrangements at June 30, 2022 are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Receivable (Liability) June 30, 2022	Current Portion	Lease Terms ⁽¹⁾	Interest Rate
Lessor:					
Buildings	1	\$ 19,039.00	\$ 9,331.00	60 Months	4.00%
Lessee:					
Right-to-Use Buildings	1	\$ (83,710.20)	\$ (40,061.85)	57 Months	4.00%
Right-to-Use Machinery and Equipment	2	(191,220.74)	(59,128.00)	54 Months	4.00%
Total	3	\$ (274,930.94)	\$ (99,189.85)		

(1) The lease terms were calculated using weighted averages based on lease receivable (payable) amounts.

A. Lease Receivable - During the year the College did not recognize any variable payment amounts.

B. Lease Liability - During the year the College did not recognize any variable payment amounts.

Future principal and interest lease payments as of June 30, 2022 were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 99,189.85	\$ 10,590.03	\$ 109,779.88
2024	104,655.09	5,124.79	109,779.88
2025	64,044.12	1,677.76	65,721.88
2026	7,041.88	106.04	7,147.92
Total	\$ 274,930.94	\$ 17,498.62	\$ 292,429.56

NOTE 9 - 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:

	<u>Amount</u>
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (2,491,920.39)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(14,031,762.00)</u>
Effect on Unrestricted Net Position	(16,523,682.39)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	<u>123,619.53</u>
Total Unrestricted Net Position	<u><u>\$ (16,400,062.86)</u></u>

See Notes 12 and 13 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

NOTE 10 - REVENUES

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

	<u>Gross Revenues</u>	<u>Less Scholarship Discounts</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$ 3,182,601.70</u>	<u>\$ 1,242,870.39</u>	<u>\$ 215,808.23</u>	<u>\$ 1,723,923.08</u>

NOTE 11 - OPERATING EXPENSES BY FUNCTION

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

	<u>Salaries and Benefits</u>	<u>Supplies and Services</u>	<u>Scholarships and Fellowships</u>	<u>Utilities</u>	<u>Depreciation/ Amortization</u>	<u>Total</u>
Instruction	\$ 7,557,629.43	\$ 1,001,342.51	\$ -	\$ -	\$ -	\$ 8,558,971.94
Academic Support	1,385,856.82	430,684.22	15,000.00	-	-	1,831,541.04
Student Services	1,409,312.51	179,189.76	191,316.22	-	-	1,779,818.49
Institutional Support	1,593,659.61	1,415,353.41	99,914.20	-	-	3,108,927.22
Operations and Maintenance of Plant	1,163,615.58	1,483,311.17	-	545,356.91	-	3,192,283.66
Student Financial Aid	-	7,674.52	4,310,320.23	-	-	4,317,994.75
Auxiliary Enterprises	7,699.48	13,310.45	-	-	-	21,009.93
Depreciation/Amortization	-	-	-	-	924,525.98	924,525.98
Total Operating Expenses	<u><u>\$ 13,117,773.43</u></u>	<u><u>\$ 4,530,866.04</u></u>	<u><u>\$ 4,616,550.65</u></u>	<u><u>\$ 545,356.91</u></u>	<u><u>\$ 924,525.98</u></u>	<u><u>\$ 23,735,073.01</u></u>

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 \$2,111,331.96 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 10.

NOTE 12 - 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. Plan members 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 and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The College's contractually-required contribution rate for the year ended June 30, 2022 was 16.38% of

covered payroll. Plan members' contributions to the pension plan were \$533,401.83, and the College's contributions were \$1,456,187.00 for the year ended June 30, 2022.

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 2021 *Annual Comprehensive 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 are 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, the 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 2021 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2022, the College reported a liability of \$2,267,784.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total pension liability to June 30, 2021. The College's proportion of the net pension liability was based on a projection of the present value of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the College's proportion was 0.04843%, which was a decrease of 0.00065 from its proportion measured as of June 30, 2020, which was 0.04908%.

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	12/31/2020
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% 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. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuations were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

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, 2021 (the measurement 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 as part of a study conducted in 2016, 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, 2021 is 1.3%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2020 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, 2021 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.5%) or 1-percentage point higher (7.5%) than the current rate:

Net Pension Liability		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
\$ 7,607,000.83	\$ 2,267,784.00	\$ (2,170,444.21)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2022, the College recognized pension expense of \$710,875.00. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to TSERS 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	\$ 127,475.00	\$ 51,504.00
Changes of Assumptions	850,669.61	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	2,809,812.00
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	202,848.00	-
Contributions Subsequent to the Measurement Date	1,456,187.00	-
Total	\$ 2,637,179.61	\$ 2,861,316.00

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS 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
2023	\$ (168,467.00)
2024	(256,134.00)
2025	(392,256.00)
2026	(863,466.39)
Total	\$ (1,680,323.39)

NOTE 13 - 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 2021 *Annual Comprehensive 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 other postemployment benefits (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 2021 *Annual Comprehensive 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 by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. 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 14. The plan options change when former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

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 University Employees' 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. 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 five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

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 Chapter 135, Article 3B 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.

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, 2022 was 6.29% of covered payroll. The College's contributions to the RHBF were \$559,182.92 for the year ended June 30, 2022.

In fiscal year 2021, the State Health Plan (the Plan) transferred \$187.0 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, 2022, the College recognized noncapital contributions for RHBF of \$77,886.00.

2. Disability Income

Plan Administration: As discussed in Note 14, 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 and LEAs which

are not part of the reporting entity, and the University Employees' 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 University Employees' 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 University Employees' 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, 2022 was 0.09% of covered payroll. The College's contributions to DIPNC were \$8,001.03 for the year ended June 30, 2022.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2022, the College reported a liability of \$12,875,615.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The College's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the College's proportion was 0.04165%, which was an increase of 0.00067 from its proportion measured as of June 30, 2020, which was 0.04098%.

Net OPEB Asset: At June 30, 2022, the College reported an asset of \$6,891.00 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The College's proportion of the net OPEB asset was based on a projection of the present value of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021, the College's proportion was 0.04219%, which was an increase of 0.00025 from its proportion measured as of June 30, 2020, which was 0.04194%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2020, 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, 2021 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2020	12/31/2020
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3%
Healthcare Cost Trend Rate - Medical	6% grading down to 5% by 2026	6% grading down to 5% by 2026
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2030	9.5% grading down to 5% by 2030
Healthcare Cost Trend Rate - Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate - Administrative	3%	3%

* Salary increases include 3.25% inflation and productivity factor.

** Investment rate of return is net of OPEB 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 or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan 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 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. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2021.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2021 (the measurement 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 as part of a study conducted in 2016, 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, 2021 is 1.3%.

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. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. 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 have been 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, 2020 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, 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 2.16% at June 30, 2021 compared to 2.21% at June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from employers would 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 to current plan members. As a result, a municipal bond rate of 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00%. The projection of cash flows used to determine the discount rate assumed that contributions

from plan members would be made at the current contribution rate and that contributions from employers would 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 to 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 (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
RHBF	\$ 15,316,224.81	\$ 12,875,615.00	\$ 10,900,316.05
	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC	\$ (4,351.05)	\$ (6,891.00)	\$ (9,241.30)

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%, Pharmacy - 4% - 8.5%, Med. Advantage - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF	\$ 10,427,667.68	\$ 12,875,615.00	\$ 16,124,740.02
	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC	\$ (7,253.30)	\$ (6,891.00)	\$ (6,440.30)

OPEB Expense: For the fiscal year ended June 30, 2022, the College recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	\$ (272,651.00)
DIPNC	15,888.00
Total OPEB Expense	\$ (256,763.00)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2022, 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:**

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 76,016.00	\$ 17,544.97	\$ 93,560.97
Changes of Assumptions	1,050,144.08	1,210.00	1,051,354.08
Net Difference Between Projected and Actual Earnings on Plan Investments	-	673.00	673.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	622,048.00	2,874.00	624,922.00
Contributions Subsequent to the Measurement Date	<u>559,182.92</u>	<u>8,001.03</u>	<u>567,183.95</u>
Total	<u>\$ 2,307,391.00</u>	<u>\$ 30,303.00</u>	<u>\$ 2,337,694.00</u>

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 239,675.00	\$ -	\$ 239,675.00
Changes of Assumptions	3,129,054.00	2,502.00	3,131,556.00
Net Difference Between Projected and Actual Earnings on Plan Investments	6,586.00	-	6,586.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	<u>88,223.00</u>	<u>314.00</u>	<u>88,537.00</u>
Total	<u>\$ 3,463,538.00</u>	<u>\$ 2,816.00</u>	<u>\$ 3,466,354.00</u>

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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

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

<u>Year Ending June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2023	\$ (1,319,390.00)	\$ 5,243.00
2024	(455,003.00)	3,808.00
2025	(23,439.00)	4,722.00
2026	(115,181.00)	2,214.00
2027	197,683.08	1,000.00
Thereafter	-	2,498.97
Total	\$ (1,715,329.92)	\$ 19,485.97

NOTE 14 - RISK MANAGEMENT

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

A. Public Entity Risk Pool

State Public Education Property Insurance Fund

Fire and other property losses are covered by the State Public Education Property Insurance Fund (Fund), a state-administered public entity risk pool. The Fund is financed by premiums and interest collected through membership participation and retains a \$10,000,000 deductible per occurrence. Reinsurance is purchased by the Fund to cover catastrophic events in excess of the \$10,000,000 deductible. Membership insured property is covered under an all risk coverage contract. Each member selects the deductible that will be applicable to their losses, and this deductible ranges from \$1,000 to \$5,000. Building and contents are valued under a replacement cost basis. No coinsurance penalties apply. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

B. Employee Benefit Plans

1. State Health Plan

College employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by

employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 13, 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 13, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

C. Other Risk Management and Insurance Activities

1. Automobile Insurance

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

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$2,000,000 per claim and \$10,000,000 in the aggregate per fiscal year via contract with private insurance companies. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private

insurance company pays 90% of each loss less a \$100,000 deductible. Losses for employees paid from county and institutional funds are covered under a blanket policy for employee dishonesty and fraud with a private insurance company with coverage of \$3,000,000 per occurrence and a \$10,000 deductible.

4. Statewide Workers' Compensation Program

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from state funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the Board 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 15 - CHANGE IN FINANCIAL ACCOUNTING AND REPORTING

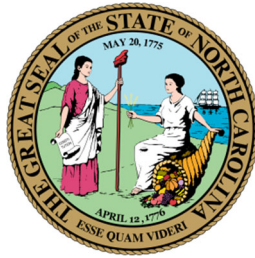
For the fiscal year ended June 30, 2022, the College implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 87, Leases

GASB Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE 16 - NET POSITION RESTATEMENT

As of July 1, 2021, the College implemented GASB Statement No. 87, *Leases*. Net position was not restated due to the implementation; however, assets and liabilities were restated as a result of the implementation. See Note 5 and Note 7 for details on the restated balances related to capital assets and lease liabilities, respectively.



REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit C-1

Teachers' and State Employees' Retirement System	2022	2021	2020	2019	2018
Proportionate Share Percentage of Collective Net Pension Liability	0.04843%	0.04908%	0.04706%	0.04697%	0.04909%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 2,267,784.00	\$ 5,929,844.00	\$ 4,878,690.00	\$ 4,676,375.00	\$ 3,895,017.00
Covered Payroll	\$ 8,430,132.22	\$ 8,637,753.95	\$ 8,225,889.55	\$ 7,641,077.86	\$ 7,599,326.03
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	26.90%	68.65%	59.31%	61.20%	51.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.86%	85.98%	87.56%	87.61%	89.51%
	2017	2016	2015	2014	
Proportionate Share Percentage of Collective Net Pension Liability	0.04725%	0.04743%	0.04775%	0.04960%	
Proportionate Share of TSERS Collective Net Pension Liability	\$ 4,342,763.00	\$ 1,747,889.00	\$ 559,831.00	\$ 3,011,225.00	
Covered Payroll	\$ 7,467,569.23	\$ 7,195,296.23	\$ 7,421,688.46	\$ 7,492,497.42	
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	58.15%	24.29%	7.54%	40.19%	
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.

**Carteret 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	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 1,456,187.00	\$ 1,245,973.54	\$ 1,120,316.69	\$ 1,010,962.00	\$ 823,708.19
Contributions in Relation to the Contractually Determined Contribution	1,456,187.00	1,245,973.54	1,120,316.69	1,010,962.00	823,708.19
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 8,890,030.53	\$ 8,430,132.22	\$ 8,637,753.95	\$ 8,225,889.55	\$ 7,641,077.86
Contributions as a Percentage of Covered Payroll	16.38%	14.78%	12.97%	12.29%	10.78%
	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 758,412.74	\$ 683,282.58	\$ 658,369.61	\$ 644,944.73	\$ 624,125.04
Contributions in Relation to the Contractually Determined Contribution	758,412.74	683,282.58	658,369.61	644,944.73	624,125.04
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 7,599,326.03	\$ 7,467,569.23	\$ 7,195,296.23	\$ 7,421,688.46	\$ 7,492,497.42
Contributions as a Percentage of Covered Payroll	9.98%	9.15%	9.15%	8.69%	8.33%

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

Carteret 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, 2022

Changes of Benefit Terms:

Cost of Living Increase

Teachers' and State Employees' Retirement System	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Adjustments (COLA's) in the period of the legislative session of Board of Trustees meeting when it was passed. The COLA is effective July 1 of that period and the fiscal year end liability is affected at June 30 of that year because the COLA is included in the actuarial assumptions used to calculate the plan net pension liability.

Effective July 1, 2017, the definition of law enforcement officer related to TSERS members was changed by the General Assembly to include Probation/Parole officers for retirement benefit purposes. The change includes officers with respect to service rendered on or after July 1, 2017 and provides for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at 50 with 15 years of service as a law enforcement officer.

Effective July 1, 2017, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of July 1, 2016 received a 1% cost-of-living adjustment. Retirees and beneficiaries of retirees with retirement effective dates between July 1, 2016 and before June 30, 2017 received a prorated amount. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly.

Methods 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 18 months following the date of the valuation results. See Note 12 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In 2020, 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, 2015, and December 31, 2019. 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 improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

The discount rate for the Teachers' and State Employees' Retirement System was lowered from 7.00% to 6.50% effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2021 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

Carteret 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 Six Fiscal Years*

Exhibit C-3
Page 1 of 2

Retiree Health Benefit Fund	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportionate Share Percentage of Collective Net OPEB Liability	0.04165%	0.04098%	0.04017%	0.04074%	0.04087%
Proportionate Share of Collective Net OPEB Liability	\$ 12,875,615.00	\$ 11,369,366.00	\$ 12,710,935.00	\$ 11,606,834.00	\$ 13,399,850.00
Covered Payroll	\$ 8,430,132.22	\$ 8,637,753.95	\$ 8,225,889.55	\$ 7,641,077.86	\$ 7,599,326.03
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	152.73%	131.62%	154.52%	151.90%	176.33%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.72%	6.92%	4.40%	4.40%	3.52%
	<u>2017</u>				
Proportionate Share Percentage of Collective Net OPEB Liability	0.03986%				
Proportionate Share of Collective Net OPEB Liability	\$ 17,340,455.00				
Covered Payroll	\$ 7,467,569.23				
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	232.21%				
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.41%				

Carteret 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 Six Fiscal Years*

Exhibit C-3
Page 2 of 2

Disability Income Plan of North Carolina	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportionate Share Percentage of Collective Net OPEB Asset	0.04219%	0.04194%	0.04031%	0.04031%	0.04220%
Proportionate Share of Collective Net OPEB Asset	\$ 6,891.00	\$ 20,632.00	\$ 17,394.00	\$ 12,245.00	\$ 25,793.00
Covered Payroll	\$ 8,430,132.22	\$ 8,637,753.95	\$ 8,225,889.55	\$ 7,641,077.86	\$ 7,599,326.03
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.08%	0.24%	0.21%	0.16%	0.34%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	105.18%	115.57%	113.00%	108.47%	116.23%
	<u>2017</u>				
Proportionate Share Percentage of Collective Net OPEB Asset	0.04097%				
Proportionate Share of Collective Net OPEB Asset	\$ 25,442.00				
Covered Payroll	\$ 7,467,569.23				
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.34%				
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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.

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

**Exhibit C-4
Page 1 of 2**

Retiree Health Benefit Fund	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 559,182.92	\$ 563,133.00	\$ 558,862.68	\$ 515,763.27	\$ 462,285.21
Contributions in Relation to the Contractually Determined Contribution	559,182.92	563,133.00	558,862.68	515,763.27	462,285.21
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 8,890,030.53	\$ 8,430,132.22	\$ 8,637,753.95	\$ 8,225,889.55	\$ 7,641,077.86
Contributions as a Percentage of Covered Payroll	6.29%	6.68%	6.47%	6.27%	6.05%
	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 441,394.23	\$ 418,183.88	\$ 395,021.76	\$ 400,761.62	\$ 397,102.36
Contributions in Relation to the Contractually Determined Contribution	441,394.23	418,183.88	395,021.76	400,761.62	397,102.36
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 7,599,326.03	\$ 7,467,569.23	\$ 7,195,296.53	\$ 7,421,688.46	\$ 7,492,497.42
Contributions as a Percentage of Covered Payroll	5.81%	5.60%	5.49%	5.40%	5.30%

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

**Exhibit C-4
Page 2 of 2**

Disability Income Plan of North Carolina	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 8,001.03	\$ 7,587.00	\$ 8,637.75	\$ 11,516.25	\$ 10,697.51
Contributions in Relation to the Contractually Determined Contribution	<u>8,001.03</u>	<u>7,587.00</u>	<u>8,637.75</u>	<u>11,516.25</u>	<u>10,697.51</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 8,890,030.53	\$ 8,430,132.22	\$ 8,637,753.95	\$ 8,225,889.55	\$ 7,641,077.86
Contributions as a Percentage of Covered Payroll	0.09%	0.09%	0.10%	0.14%	0.14%
	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 28,877.44	\$ 30,617.03	\$ 29,500.71	\$ 32,654.65	\$ 32,966.99
Contributions in Relation to the Contractually Determined Contribution	<u>28,877.44</u>	<u>30,617.03</u>	<u>29,500.71</u>	<u>32,654.65</u>	<u>32,966.99</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 7,599,326.03	\$ 7,467,569.23	\$ 7,195,296.53	\$ 7,421,688.46	\$ 7,492,497.42
Contributions as a Percentage of Covered Payroll	0.38%	0.41%	0.41%	0.44%	0.44%

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

Carteret 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, 2022

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-pocket 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-pocket 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.

Effective January 1, 2021, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

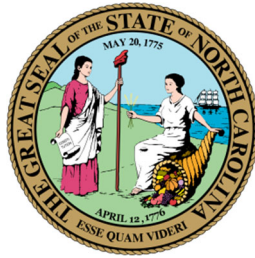
Additionally, the December 31, 2017 Disability Income Plan of North Carolina (DIPNC) actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of College Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding 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 13 for more information on the specific assumptions for each plan. The actuarially determined contributions 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 2020, 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, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Committee on Actuarial Valuation of Retired Employees' Health Benefits 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 mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

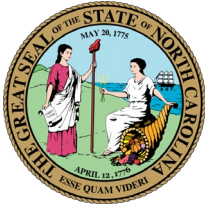
Consistent with the prior year, for the actuarial valuation measured as of June 30, 2021, the discount rate for the RHBF was updated to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. In 2020, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claims 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 to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the 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 repealed in December 2019 and first recognized in the 2020 OPEB report.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2021 *Annual Comprehensive Financial Report*.



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699
Telephone: (919) 807-7500
Fax: (919) 807-7647
www.auditor.nc.gov

**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
Carteret Community College
Morehead City, 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 Carteret 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, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 6, 2023. Our report includes a reference to other auditors who audited the financial statements of Carteret Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Carteret 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 Carteret 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 6, 2023

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This audit required 350 hours at an approximate cost of \$42,000.