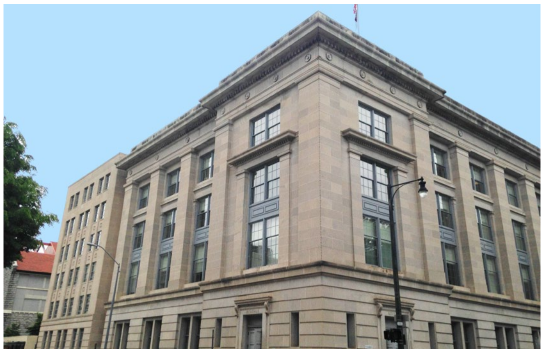
State of North Carolina

Office of The State Auditor

Beth A. Wood, CPA



Isothermal Community College

Spindale, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2022

A Component Unit of the State of North Carolina

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
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www.auditor.nc.gov

AUDITOR'S TRANSMITTAL

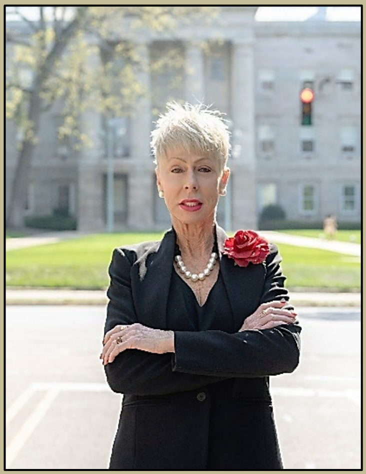
The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Trustees, Isothermal Community College

We have completed a financial statement audit of Isothermal 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.

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

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

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Isothermal Community College
Spindale, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Isothermal Community College (College), a component unit of the State of North Carolina, and its discretely presented component units, 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 reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of Isothermal Community College, and its discretely presented component units, 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 Isothermal Community College Foundation, Inc. or Polk County Campus I.C.C. Foundation, Inc., the College's discretely presented component units. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports 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 February 20, 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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 20, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Isothermal Community College (College) for the year ended June 30, 2022. The following financial statements, notes to the financial statements, and required supplementary information comprise the complete set of financial information and should be considered together.

In addition to the College's financial statements and accompanying notes, information for two component units is presented. The Statements of Financial Position, Statements of Activities, and certain notes for Isothermal Community College Foundation, Inc. and Polk County Campus I.C.C. Foundation, Inc. are discretely presented alongside the College's financial statements; however, the component units are not included in management's discussion and analysis. More information can be found in Note 1A, Significant Accounting Policies – Financial Reporting Entity.

Using the Financial Statements

The College's financial report includes three financial statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. These financial statements are prepared under the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) principles.

Financial Highlights

The College serves the markets of Rutherford and Polk counties. The local economy continues to feel the effects of inflation and supply chain challenges. For the year ended June 30, 2022, the unemployment rate continued to face challenges but improved to a rate of 5.6% from 6.9% as the fiscal year began in July 2021. In terms of comparison, Rutherford County continues to trend a bit higher than the State of North Carolina who posted a rate of 3.5% at June 30, 2022. The College's funding for the 2021-2022 year saw a decrease of 3.34% in budgeted FTE (Full-time Equivalents) resulting in additional total formula funding of $625,461.00 or 4.35%. The increase in funding included stabilization funds and other formula adjustments to meet operations related to services and program demands which help to compensate for the decrease in budgeted FTEs. Curriculum programs had a net decrease of 22 budgeted FTE or 1.19%, and Continuing Education/Adult Basic Education programs saw a net decrease of 50 budgeted FTE or 16.4%. The College was similar to many other North Carolina Community Colleges with enrollment declines requiring stabilization funding from the State. The College is continuing to experience strong high school enrollment and retention rates continue to improve as tools are implemented through the continuance of the College's quality enhance plan (QEP) and Adviso retention software.

Statement of Net Position

The Statement of Net Position presents a fiscal snapshot of the College as of June 30, 2022, and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the College. The statement also includes the difference between total assets and deferred outflows of resources less total liabilities and deferred inflows of resources (net position) which is an indicator of whether the overall financial condition has improved or worsened. This statement also provides information on assets available to continue operations, liabilities due to outside parties, and the net position available for expenditure by the College. Items on the Statement of Net Position are generally measured using current values, with the exception of capital assets which are stated at historical cost less accumulated depreciation/amortization. A summarized comparison of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2022 and 2021 are as follows:

Condensed Statement of Net Position

	2022	2021	Increase/ (Decrease)
Assets			
Current Assets	$ 5,742,329.51	$ 5,137,398.00	$ 604,931.51
Noncurrent Assets			
Capital Assets, Net	27,269,255.83	27,500,373.28	(231,117.45)
Other Noncurrent Assets	15,113,071.69	19,052,041.64	(3,938,969.95)
Total Assets	48,124,657.03	51,689,812.92	(3,565,155.89)
Total Deferred Outflows of Resources	4,851,108.00	4,260,521.00	590,587.00
Liabilities			
Current Liabilities	898,435.14	1,107,257.07	(208,821.93)
Long-Term Liabilities	19,436,617.28	22,473,767.92	(3,037,150.64)
Total Liabilities	20,335,052.42	23,581,024.99	(3,245,972.57)
Total Deferred Inflows of Resources	9,272,259.00	8,183,484.00	1,088,775.00
Net Position			
Net Investment in Capital Assets	27,002,621.66	27,500,373.28	(497,751.62)
Restricted - Nonexpendable	2,306,147.24	2,746,883.94	(440,736.70)
Restricted - Expendable	14,302,199.34	17,553,075.09	(3,250,875.75)
Unrestricted	(20,242,514.63)	(23,614,507.38)	3,371,992.75
Total Net Position	$ 23,368,453.61	$ 24,185,824.93	$ (817,371.32)

Current assets, which increased $604,931.51, consist primarily of cash, receivables expected to be collected within one year, short term investments, prepaid items, amounts due from the College's Foundation, and inventories expected to be used within one year. Within current assets, cash and cash equivalents increased by $392,601.59. This is primarily because the College was able to reimburse themselves for lost revenue due to the pandemic from Higher Education Emergency Relief Funds (HEERF) funds. Receivables increased by $228,417.24 driven primarily by an $100,595.23 increase in student receivables because HEERF awards to students were applied to past-due balances, resulting in a decrease in the allowance for doubtful accounts. Additional increases were due to increased bookstore charges to students, as well as increased receivables from various grants and Polk County.

Other noncurrent assets consist of cash not expected to be used within one year, amounts due from the State of North Carolina for capital projects, investments held in the Lee L. Powers Scholarship Account and the Mildred Furches Scholarship Group Account, and a net other postemployment benefit (OPEB) asset for the Disability Income Plan of North Carolina (DIPNC) which represents the College's pro-rata share of the OPEB DIPNC asset. The decrease of $3,938,969.95 in other noncurrent assets is driven primarily by the decline in value of our scholarship investment funds which decreased investment asset values by $3,907,586.25 after expenditures. Further analysis of investment earnings will follow under the Statement of Revenues, Expenses, and Changes in Net Position section.

Capital assets (net) decreased by $231,117.45, as depreciation/amortization and disposals surpassed additions. A further analysis of this activity is provided under the Capital Assets section within this analysis.

Deferred outflows of resources increased $590,587.00, primarily due to changes in pension contributions and OPEB plan contributions subsequent to the measurement date, differences in actual vs. expected experiences, and changes of plan and actuarial assumptions. See Notes 13 and 14 of the financial statements for further analysis of deferred outflows of resources.

Current liabilities are comprised of accounts payable and accrued compensation, unearned revenue, funds held for others, and current portions of long-term liabilities. The net decrease of $208,821.93 is comprised of: a $98,148.29 decrease in funds held for others for the Earl Scruggs Festival as ticket sales and sponsorship revenue held by the College at June 30, 2021 was transferred to the Earl Scruggs Festival, Inc., a related party non-profit charged with organizing the festival. Also, the current portion of long-term liabilities decreased from $142,546.53 to $85,135.80 as the amount of compensated absences that is estimated to be used within the next 12 months (based on a calculation of leave taken in fiscal year 2021) decreased.

Long-term liabilities decreased $3,037,150.64, and includes compensated absences not expected to be used within the next year, leases payable, the net pension liability, and the net OPEB liability. The change is driven by the net pension liability, which decreased $4,547,856.00, offset by the net OPEB liability which increased by $1,087,745.00, primarily as a result of changes in the actuarial valuations and differences between actual and projected earnings on plan investments.

Deferred inflows of resources increased $1,088,775.00, primarily due to differences in actual vs. expected experiences, and changes of plan and actuarial assumptions. See Notes 13 and 14 of the financial statements for further analysis of deferred inflows of resources.

Net position represents the residual interest in the College's assets and deferred outflows of resources after all liabilities and deferred inflows of resources are deducted. For reporting purposes, they are divided into four categories: net investment in capital assets, restricted nonexpendable, restricted expendable, and unrestricted net position. The decrease in restricted expendable net position was the result of the decrease in endowment investments discussed above. The decrease in the unrestricted net position deficit was primarily caused by fluctuations in pension and OPEB related accounts also discussed above.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the revenues earned by the institution, both operating and nonoperating, and any other revenues, expenses, gains, and losses earned or incurred by the institution.

Operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are used to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided, e.g., state appropriations and investment income. The following is a condensed Statement of Revenues, Expenses, and Changes in Net Position for the College for the years ended June 30, 2022, and 2021:

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

	2022	2021	Increase/ (Decrease)
Operating Revenues:			
Student Tuition & Fees, Net	$ 703,453.48	$ 729,103.84	$ (25,650.36)
Sales and Services, Net	1,171,101.52	781,232.83	389,868.69
Total Operating Revenues	1,874,555.00	1,510,336.67	364,218.33
Operating Expenses:			
Salaries and Benefits	14,155,225.55	14,703,896.28	(548,670.73)
Supplies and Services	4,659,698.76	4,051,245.82	608,452.94
Scholarships and Fellowships	3,938,669.59	2,850,067.20	1,088,602.39
Utilities	644,769.51	583,620.87	61,148.64
Depreciation/Amortization	1,262,851.18	1,160,931.47	101,919.71
Total Operating Expenses	24,661,214.59	23,349,761.64	1,311,452.95
Operating Loss	(22,786,659.59)	(21,839,424.97)	947,234.62
Nonoperating Revenues (Expenses):			
State Aid	11,942,354.51	10,597,636.59	1,344,717.92
State Aid - Coronavirus	74,949.00	797,310.09	(722,361.09)
County Appropriations	2,775,131.61	2,675,651.19	99,480.42
Student Financial Aid	3,601,581.73	3,636,807.56	(35,225.83)
Federal Aid - COVID-19	3,189,574.69	1,546,905.34	1,642,669.35
Noncapital Contributions	2,444,562.34	2,483,916.14	(39,353.80)
Investment Income (Loss), Net	(3,196,869.38)	3,751,123.30	(6,947,992.68)
Other Nonoperating Revenues (Expenses)	(53,777.21)	20,855.77	(74,632.98)
Net Nonoperating Revenues	20,777,507.29	25,510,205.98	(4,732,698.69)
Income (Loss) Before Other Revenues	(2,009,152.30)	3,670,781.01	(3,785,464.07)
Other Revenues:			
State and County Capital Aid	1,038,650.49	891,285.71	147,364.78
Capital Contributions	153,130.49	59,005.47	94,125.02
Increase (Decrease) in Net Position	(817,371.32)	4,621,072.19	(5,438,443.51)
Net Position, Beginning	24,185,824.93	19,564,752.74	4,621,072.19
Net Position, Ending	$ 23,368,453.61	$ 24,185,824.93	$ (817,371.32)
Reconciliation of Changes in Net Position			
Total Revenues	$ 27,094,489.86	$ 27,970,833.83	$ (876,343.97)
Total Expenses	27,911,861.18	23,349,761.64	4,562,099.54
Changes in Net Position	$ (817,371.32)	$ 4,621,072.19	$ (5,438,443.51)

The major components of operating revenues are tuition and fees collected from students and revenues generated from auxiliary operations such as the campus bookstore and the public radio station (sales and services, net).

The decrease in tuition and fees presented above is due to a net decrease in student enrollment. Student enrollment, measured by FTE, declined in curriculum and increased in continuing education and basic skills areas. Curriculum FTE was down 107 FTE or 5.9%, from 1,810 FTE to 1,703 FTE, Continuing Education increased 4 FTE or 2.0%, from 194 FTE to 198 FTE, and Basic Skills increased 21 FTE or 52.5%, from 40 FTE to 61 FTE.

All component areas of sales and services revenue have recovered after their decline due to the pandemic; most noteworthy increases are found in the Bookstore ($72,236.42), WNCW-FM underwriting and other events ($212,414.46) and the Performing Arts Center ($82,009.66).

Total operating expenses increased $1,311,452.95. Salaries and benefits decreased $548,670.73 due to a reduction in the amount of pension and OPEB expense recognized in the current year as a result of changes in actuarial calculations. Supplies and services increased by $608,452.94. Of this total increase, $179,708.01 is an increase in supply and material costs and is due to the increase in non-capitalized state equipment purchases. Additional increases were the result of: $99,897.60 for a scheduling software package funded by HEERF, $64,340.54 for marketing and advertising funded by special state grants, and an increase of $181,273.89 in repairs to facilities as several major repair projects were completed. Scholarships and fellowships costs also increased by $1,088,602.39 due to funds received from the United States Department of Education under the Coronavirus Aid, Relief, and Economic Security (CARES) and the HEERF program for student emergency aid, for which the College disbursed $658,813.00 in fiscal year 2021 and $1,849,100.00 in fiscal year 2022.

Nonoperating revenues consist of aid from the State of North Carolina, Rutherford and Polk counties, financial aid received from the federal and state government and private entities to disburse to students, noncapital contributions, and investment income. State aid increased $1,344,717.92 due to an increase in state funding due to receipt of stabilizations funds, offset by a $722,361.09 decrease in state coronavirus funds as relief fund programs wind down. These are funds received by the State directly from the U.S. Treasury which were allotted to the College as Coronavirus Relief Funds (CRF) for specific coronavirus relief programs. Federal aid - COVID-19 increased $1,642,669.35 due to the College being awarded and utilizing more HEERF funds during the year.

The College had a net investment loss of $3,196,869.38 for the year, which was a decrease of $6,947,992.68. The decrease is primarily a result of the challenging investment market that has been pervasive to all Colleges.

Other revenues are made up of capital aid received from the state and county governments, and other revenues received from private sources. State and county aid increased $147,364.78 due to the College receiving capital funds for new construction and renovation projects.

Capital Assets

Capital assets for the College are comprised of nondepreciable and depreciable assets. Nondepreciable assets are land, an art collection, and construction in progress. Depreciable assets are buildings, machinery and equipment, general infrastructure, and a right-to-use leased building. The College has $27,269,255.83 invested in capital assets at year-end which decreased $231,117.45 from the prior fiscal year primarily due to additions to depreciation/amortization exceeding capital additions. Additions included $801,226.32 in new equipment and $74,589.80 of new costs capitalized to construction in progress. In addition, as part of the implementation of GASB Statement No. 87 *Leases*, the College has recorded a right-to-use leased asset for the lease of space in the radio tower building currently used to broadcast WNCW's signal in Charlotte, NC. The asset is amortized over the term of the lease plus anticipated extensions.

Economic Forecast

The College is operating based on a strong financial foundation. Enrollment for the fall 2022 term is showing slight tendencies toward trending down. This may be due to the availability of jobs currently in the market and the push across the public and non-public sectors to move wages higher. The College clearly sees opportunities to improve in the area of occupational programming geared toward serving existing industries with in-service training and skill improvement training. An extensive review of course scheduling and implementation of related software applications will allow the College to streamline operations and focus on actual demands requested from industry partners. Ongoing evaluation of areas of improvements in technology and online/hybrid class delivery, including clinical lab simulation, is a demonstration of the College's ability to make necessary adjustments to meet the changing needs of the community. The impact of inflation and potential recession will be monitored to allow the College the opportunity to be responsive to community needs. As the lingering effects of the COVID-19 pandemic subside, there continues to be a belief that overall, enrollment growth is possible through strategic resource allocation, continued efforts to target underserved populations in the services area, and ongoing industry demands. As the College invests in strategies to recruit traditional first time college students it will continue to promote the availability of scholarships including the Powers Promise and other institutional scholarships. Planned activities include the hiring of a recruiter position, expansion and continuation of targeted marketing, and comprehensive outreach to promote efficiently and effectively both new and existing programming. Efforts for these activities are intended, particularly for underserved or non-served populations. In addition, the continuation of comprehensive strategic planning will provide clear actionable goals to evaluate and refine in order to maximize efficiency. The College is projecting enrollment to maintain levels for curriculum programming and continues to focus efforts in the continuing education programs. Contributing factors will be completion of capital projects and the value of the added service capability provided by these investments. Capital projects continue to experience significant delays due to the pandemics effect on supply chains, material deliveries, and the impact of rising inflation. Other factors will be the ability of the College to adjust scheduling and continuous facility utilization assessments to achieve maximum flexibility. The College will also continue to be cautious in regards to expanding staffing levels in order to make sure any increases are sustainable and new program costs are supported.

Looking ahead to the 2022-2023 fiscal year, the College anticipates enrollment to be a point of focus. Efforts to recruit adult learners for both curriculum and continuing education programs will be supported by the addition of a recruiter position and is designed to allow residents and businesses to gain awareness of opportunities. The College is also making strategic investments utilizing the State Capital and Infrastructure Fund and other capital resources to improve infrastructure for optimizing curriculum-training spaces for all programs. This strategy is applicable in several programs of study. As new program introductions continue to attract both local and national students, and the College engages in strategic planning, we expect positive momentum to continue. This should have positive effects for the service areas included in the College's footprint. The continuing effects of the pandemic, that includes a shortage of workforce and supply chain struggles, to date, have not adversely affected enrollment or operations and the College will continue to monitor and adjust accordingly to provide continuity in services. The continued efforts to improve facilities and move forward with multiple projects focused on recently implemented curriculum programming will provide opportunities for students to continue progress toward completion of both two-year degrees and in students transitioning to four-year institutions. An additional focus for the College is to gain a better understanding of critical data that reflects the current student population and use this data to inform targeted efforts for populations currently underserved in the Rutherford and Polk County service areas. The College continues to operate with a strong financial basis and continues to be responsive to core business functions related to the fulfillment of the overall mission. As always, the College continues to be responsive to developments and opportunities presented in the service areas.

A critical element of the College's future will continue to be our relationship with the State of North Carolina. Education continues to be recognized as an investment in North Carolina's future and the role of community colleges is viewed as critical in the preparation of a well-trained workforce. The State is recognizing and investing in multiple workforce development initiatives which allow the College to promote high demand markets.

While it is not possible to predict the ultimate results, management believes that the College's financial condition is strong enough to withstand the economic uncertainties. Conservative and realistic approaches have been made to ensure that operating costs required to offer services to the students and community who rely on the College are covered by revenues and allocations allotted to the College.

Contacting the College's Financial Management

This financial report is designed to provide our citizens, donors, and creditors with a general overview of the College's finances and show accountability of all funds received. If you have any questions or need additional financial information, please contact Stephen Matheny, Vice President of Administrative Services and Chief Operating Officer for Isothermal Community College at (828) 395-1293.

FINANCIAL STATEMENTS

Isothermal Community College
Statement of Net Position
June 30, 2022

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 3,259,698.29
Restricted Cash and Cash Equivalents	1,703,344.48
Restricted Short-Term Investments	3,000.00
Receivables, Net (Note 5)	431,906.88
Due from Community College Component Unit	23,200.00
Inventories	313,908.18
Prepaid Items	7,271.68
Total Current Assets	5,742,329.51
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	197,981.18
Restricted Due from Primary Government	9,107.19
Endowment Investments	14,897,633.32
Net Other Postemployment Benefits Asset	8,350.00
Capital Assets - Nondepreciable (Note 6)	1,483,454.24
Capital Assets - Depreciable, Net (Note 6)	25,785,801.59
Total Noncurrent Assets	42,382,327.52
Total Assets	48,124,657.03
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	2,832,623.00
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	2,018,485.00
Total Deferred Outflows of Resources	4,851,108.00
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 7)	527,428.19
Unearned Revenue	222,194.43
Funds Held for Others	63,676.72
Long-Term Liabilities - Current Portion (Note 8)	85,135.80
Total Current Liabilities	898,435.14
Noncurrent Liabilities:	
Long-Term Liabilities (Note 8)	19,436,617.28
Total Liabilities	20,335,052.42
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	3,646,244.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	5,626,015.00
Total Deferred Inflows of Resources	9,272,259.00

NET POSITION	
Net Investment in Capital Assets	27,002,621.66
Restricted:	
Nonexpendable:	
Student Financial Aid	2,179,470.41
Other	126,676.83
Total Restricted-Nonexpendable Net Position	2,306,147.24
Expendable:	
Student Financial Aid	13,324,838.96
Restricted for Specific Programs	436,609.94
Capital Projects	31,424.06
Other	509,326.38
Total Restricted-Expendable Net Position	14,302,199.34
Unrestricted	(20,242,514.63)
Total Net Position	$ 23,368,453.61

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

Isothermal 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 11)	$ 703,453.48
Sales and Services, Net (Note 11)	1,171,101.52
Total Operating Revenues	1,874,555.00
OPERATING EXPENSES	
Salaries and Benefits	14,155,225.55
Supplies and Services	4,659,698.76
Scholarships and Fellowships	3,938,669.59
Utilities	644,769.51
Depreciation/Amortization	1,262,851.18
Total Operating Expenses	24,661,214.59
Operating Loss	(22,786,659.59)
NONOPERATING REVENUES (EXPENSES)	
State Aid	11,942,354.51
State Aid - Coronavirus	74,949.00
County Appropriations	2,775,131.61
Student Financial Aid	3,601,581.73
Federal Aid - COVID-19	3,189,574.69
Noncapital Contributions	2,444,562.34
Investment Loss (Including Investment Expense of $52,702.91)	(3,196,869.38)
Other Nonoperating Expenses	(53,777.21)
Net Nonoperating Revenues	20,777,507.29
Loss Before Other Revenues	(2,009,152.30)
State Capital Aid	905,351.76
County Capital Aid	133,298.73
Capital Contributions	153,130.49
Total Other Revenues	1,191,780.98
Decrease in Net Position	(817,371.32)
NET POSITION	
Net Position - July 1, 2021	24,185,824.93
Net Position - June 30, 2022	$ 23,368,453.61

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

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 1,629,653.56
Payments to Employees and Fringe Benefits	(16,913,207.73)
Payments to Vendors and Suppliers	(5,275,510.07)
Payments for Scholarships and Fellowships	(3,985,448.85)
Other Payments	(15,910.22)
Net Cash Used by Operating Activities	(24,560,423.31)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid	11,942,354.51
State Aid - Coronavirus	74,949.00
County Appropriations	2,775,131.61
Student Financial Aid	3,601,581.73
Federal Aid - COVID-19	3,189,574.69
Noncapital Contributions	2,259,626.58
Total Cash Provided by Noncapital Financing Activities	23,843,218.12
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
State Capital Aid	905,351.76
County Capital Aid	143,523.73
Capital Contributions	154,830.49
Proceeds from Sale of Capital Assets	63,355.00
Acquisition and Construction of Capital Assets	(870,624.80)
Principal Paid on Leases	(1,122.93)
Interest and Fees Paid on Leases	(10,483.97)
Net Cash Provided by Capital Financing and Related Financing Activities	384,829.28
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	11,217,086.81
Investment Income	763,837.97
Purchase of Investments and Related Fees	(11,270,207.91)
Net Cash Provided by Investing Activities	710,716.87
Net Increase in Cash and Cash Equivalents	378,340.96
Cash and Cash Equivalents - July 1, 2021	4,782,682.99
Cash and Cash Equivalents - June 30, 2022	$ 5,161,023.95

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (22,786,659.59)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	1,262,851.18
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(167,892.38)
Inventories	37,242.35
Prepaid Items	2,044.97
Net Other Postemployment Benefits Asset	17,123.00
Deferred Outflows Related to Pensions	68,146.00
Deferred Outflows Related to Other Postemployment Benefits	(658,733.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(27,734.01)
Unearned Revenue	(117,097.32)
Funds Held for Others	(15,910.22)
Net Pension Liability	(4,547,856.00)
Net Other Postemployment Benefits Liability	1,181,170.00
Compensated Absences	104,106.71
Deferred Inflows Related to Pensions	3,454,853.00
Deferred Inflows Related to Other Postemployment Benefits	(2,366,078.00)
Net Cash Used by Operating Activities	$ (24,560,423.31)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$ 5,191.25
Change in Fair Value of Investments	(6,392,504.92)
Loss on Disposal of Capital Assets	(43,293.24)
Increase in Receivables Related to Nonoperating/Other Revenues	83,724.86
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(93,425.00)

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

Isothermal Community College Foundations
Statement of Financial Position
June 30, 2022 — *Exhibit B-1*

	Isothermal Community College Foundation, Inc.	Polk County Campus I.C.C. Foundation, Inc.
ASSETS		
Without Donor Restrictions:		
Cash and Cash Equivalents	$ 20,210	$ 31,914
Investment in Polk Community Foundation	-	35,134
Investments	190,154	257,444
Total Assets Without Donor Restrictions	210,364	324,492
With Donor Restrictions:		
Cash and Cash Equivalents	154,436	-
Investment in Polk Community Foundation	-	107,647
Investments	2,299,955	-
Grant Receivable	23,200	-
Total Assets With Donor Restrictions	2,477,591	107,647
Total Assets	$ 2,687,955	$ 432,139
LIABILITIES		
Due to Isothermal Community College	$ 23,200	$ -
Total Liabilities	23,200	-
NET ASSETS		
Without Donor Restrictions	210,364	324,492
With Donor Restrictions	2,454,391	107,647
Total Net Assets	2,664,755	432,139
Total Liabilities and Net Assets	$ 2,687,955	$ 432,139

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

Isothermal Community College Foundations
Statement of Activities
For the Fiscal Year Ended June 30, 2022 — *Exhibit B-2*

	Isothermal Community College Foundation, Inc.	Polk County Campus I.C.C. Foundation, Inc.
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Support:		
Contributions	$ 17,209	$ 6,150
Other Revenue	44,660	-
Fundraising	-	1,116
Interest and Investment Earnings, Net	7,430	8,807
Contributed Nonfinancial Assets	23,273	3,474
Unrealized Loss on Investments	(52,190)	(71,804)
Realized Gain on Investments	10,757	15,716
Net Assets Released from Restrictions: Satisfaction of Program Restrictions	111,173	2,880
Total Revenue and Support	162,312	(33,661)
Expenses:		
Program Contributions:		
Employee Professional Development and Awards	7,195	-
Scholarships	7,136	-
Awards and Grants	-	3,882
Mentoring	19,668	-
College Support	104,089	-
In-Kind Expenses	9,540	-
Support Services:		
Fundraising	17,880	-
Contributed Nonfinancial Assets	13,733	-
Management and General	31,022	16,336
Total Expenses	210,263	20,218
Decrease in Net Assets Without Donor Restrictions	(47,951)	(53,879)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Revenue and Support:		
Contributions	13,379	-
Other Revenue	23,200	-
Interest and Investment Earnings, Net	91,893	(20,758)
Unrealized Loss on Investments	(632,495)	-
Realized Gain on Investments	131,400	-
Net Assets Released from Restriction: Satisfaction of Program Restrictions	(111,173)	(2,880)
Total Revenue and Support	(483,796)	(23,638)
Decrease in Net Assets With Donor Restrictions	(483,796)	(23,638)
Decrease in Net Assets	(531,747)	(77,517)
NET ASSETS		
Net Assets at Beginning of Year	3,196,502	509,656
Net Assets at End of Year	$ 2,664,755	$ 432,139

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. Isothermal 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 units for which the College's Board of Trustees is financially accountable. The College's component units are discretely presented in the College's financial statements. See below for further discussion of the College's component units. 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 Units - Isothermal Community College Foundation, Inc. (Foundation) and Polk County Campus I.C.C. Foundation, Inc. (PCC ICC Foundation) are legally separate, nonprofit corporations and are reported as discretely presented component units based on the nature and significance of their relationship to the College.

The Foundation and the PCC ICC Foundation act primarily as fundraising organizations to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 31 members and the PCC ICC Foundation board consists of 13 members. Although the College does not control the timing or amount of receipts from either foundation, the majority of resources, or income thereon, that the foundations hold and invest are restricted to the activities of the College by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of the College, both foundations are considered component units of the College and are reported in separate financial statements because of the difference in their reporting model, as described below.

Both foundations are private nonprofit organizations that report their 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 their financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2022, the Foundation distributed $111,377.73 to or on behalf of the College for both restricted and unrestricted purposes and the PCC ICC Foundation distributed $3,881.78 to the College for both restricted and unrestricted purposes. Complete financial statements for the component units can be obtained from the College Controller's office at P.O. Box 804, Spindale, NC 28160 or by calling (828) 395-1492.

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, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

E. **Investments** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. 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.

   Endowment investments include the principal amount of gifts and bequests that, according to donor restrictions, must be held in perpetuity or for a specified period of time, along with any accumulated investment earnings on such amounts. Further, endowment investments also include amounts internally designated by the College for investment in an endowment capacity (i.e. quasi-endowments), along with accumulated investment earnings on such amounts.

F. **Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. 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. Merchandise for resale is valued at the lower of cost or market using the retail inventory 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 $10,000 or greater and an estimated useful life of more than one year.

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

Asset Class	Estimated Useful Life
Buildings	10-62 years
Machinery and Equipment	2-42 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, resources whose use is limited by external parties or statute, and endowment and other restricted investments.

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

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

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

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 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 13 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the College's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 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 14 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

L. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

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

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

M. **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.

N. **Net Position** - The College's net position is classified as follows:

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

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities.

When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 10 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

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

P. **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.

Q. **Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as campus bookstore, public radio station, and performing arts center. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits - The College is required by North Carolina General Statute 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with North Carolina General Statute 115D-58.7. Official depositories may be established with any bank, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2022 was $1,610.00. The carrying amount of the College's deposits not with the State Treasurer was $3,565,015.91, and the bank balance was $3,890,381.23.

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 - In addition to donated securities and real estate held by the 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 amount shown on the Statement of Net Position as cash and cash equivalents includes $1,594,398.04, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the

State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 0.9 years as of June 30, 2022. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at https://www.nctreasurer.com/ in the Audited Financial Statements section.

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

The following table presents the investments by type and investments subject to interest rate risk at June 30, 2022, for the College's investments. 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.

Investments

		Investment Maturities (in Years)			
	Amount	Less Than 1	1 to 5	6 to 10	More than 10
Investment Type					
Debt Securities					
U.S. Treasuries	$ 14,000.00	$ -	$ -	$ 14,000.00	$ -
Debt Mutual Funds	5,238,282.46	172,987.22	2,095,916.71	1,012,006.75	1,957,371.78
Total Debt Securities	5,252,282.46	$ 172,987.22	$ 2,095,916.71	$ 1,026,006.75	$ 1,957,371.78
Other Securities					
Balanced Mutual Funds	264,532.20				
Equity Mutual Funds - Domestic	5,386,412.47				
Equity Mutual Funds - International	3,190,397.09				
Alternative Investment Mutual Fund	804,009.10				
Investment in Real Estate	3,000.00				
Total Investments	$ 14,900,633.32				

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, the College's investments were rated as follows:

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Debt Mutual Funds	$ 5,238,282.46	$ 2,488,320.13	$ 170,507.23	$ 395,850.17	$ 433,861.59	$ 1,334,792.83	$ 414,950.51

Rating Agency: Standard & Poors

Component Units - Investments of the College's discretely presented component units, the Foundation and the PCC ICC 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 and the PCC ICC Foundation report under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

	Foundation	PCC ICC Foundation
Money Market Fund	$ 106,172	$ 11,085
Common Stock	1,547,094	159,935
Fixed Income	836,843	86,424
Polk County Community Foundation, Inc.	-	142,781
Total Investments	$ 2,490,109	$ 400,225

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.

The following table summarizes the College's investments, including the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2022:

	Fair Value	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
U.S. Treasuries	$ 14,000.00	$ 14,000.00	$ -	$ -
Debt Mutual Funds	5,238,282.46	5,238,282.46	-	-
Total Debt Securities	5,252,282.46	5,252,282.46	-	-
Other Securities				
Balanced Mutual Fund	264,532.20	264,532.20	-	-
Equity Mutual Funds - Domestic	5,386,412.47	5,386,412.47	-	-
Equity Mutual Funds - International	3,190,397.09	3,190,397.09	-	-
Alternative Investment Mutual Funds	804,009.10	804,009.10	-	-
Investment in Real Estate	3,000.00	-	-	3,000.00
Total Investments by Fair Value Level	14,900,633.32	$ 14,897,633.32	$ -	$ 3,000.00
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	1,594,398.04			
Total Investments Measured at Fair Value	$ 16,495,031.36			

Short-Term Investment Fund - Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The College's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Debt and Equity Securities - Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Investments in Real Estate - Investments in real estate classified in Level 3 of the fair value hierarchy are valued by comparing the value to the county tax value.

Component Units - FASB Accounting Standards Codification 820 provides the framework for measuring fair value. That framework provides 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level I Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the foundations have the ability to access.

Level II Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets
- Quoted prices for identical or similar assets in inactive markets
- Inputs other than quoted prices that are observable for the assets
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If an asset has a specified (contractual) term, the level II input must be observable for substantially the full term of the asset.

Level III Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Fair Value Measured on a Recurring Basis

The fair value of each financial instrument in the table below was measured using FASB ASC 820 input guidance and valuation techniques. The following table sets forth the carrying amounts and estimated fair values for financial instruments.

	Level 1
Foundation:	
Money Market Fund	$ 106,172
Common Stock	1,547,094
Fixed Income	836,843
Total	$ 2,490,109
PCC ICC Founation:	
Polk County Community Foundation, Inc.:	
Money Market Funds	$ 17,567
Equity	81,389
Fixed Income	43,825
Total	$ 142,781
Marketable Securities:	
Money Market Funds	$ 11,085
Common Stock	159,935
Fixed Income	86,424
Total	$ 257,444

NOTE 4 - ENDOWMENT INVESTMENTS

Investments of the College's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. Annual payouts from the College's endowment funds are based on an adopted spending policy, which allows expenditure of up to 5.5% of a trailing three-year average of the College Endowment's total asset value. As of June 30, 2022, $83,288.00 was available to be spent, all of which was classified in net position as restricted – expendable: student financial aid as it is restricted for specific purposes.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2022, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 271,510.17	$ 165,605.21	$ 105,904.96
Student Sponsors	16,038.20	-	16,038.20
Accounts	181,548.98	28,201.82	153,347.16
Intergovernmental	154,053.81	-	154,053.81
Radion Station Pledges	6,341.00	3,778.25	2,562.75
Total Current Receivables	$ 629,492.16	$ 197,585.28	$ 431,906.88

NOTE 6 - 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 and Permanent Easements	$ 1,326,209.44	$ -	$ -	$ 1,326,209.44
Art, Literature, and Artifacts	62,305.00	-	-	62,305.00
Construction in Progress	20,350.00	74,589.80	-	94,939.80
Total Capital Assets, Nondepreciable	1,408,864.44	74,589.80	-	1,483,454.24
Capital Assets, Depreciable:				
Buildings	38,255,359.24	-	-	38,255,359.24
Machinery and Equipment	8,819,771.77	801,226.32	367,696.65	9,253,301.44
General Infrastructure	805,692.82	-	-	805,692.82
Right-to-Use Leased Buildings	262,565.85	-	-	262,565.85
Total Capital Assets, Depreciable	48,143,389.68	801,226.32	367,696.65	48,576,919.35
Less Accumulated Depreciation/Amortization for:				
Buildings	17,438,932.12	776,558.88	-	18,215,491.00
Machinery and Equipment	3,851,448.55	414,990.46	261,048.41	4,005,390.60
General Infrastructure	498,934.32	15,468.92	-	514,403.24
Right-to-Use Leased Buildings	-	55,832.92	-	55,832.92
Total Accumulated Depreciation/Amortization	21,789,314.99	1,262,851.18	261,048.41	22,791,117.76
Total Capital Assets, Depreciable, Net	26,354,074.69	(461,624.86)	106,648.24	25,785,801.59
Capital Assets, Net	$27,762,939.13	$ (387,035.06)	$ 106,648.24	$27,269,255.83

At year-end, the total amount of leased assets was $262,565.85 and the related accumulated amortization was $55,832.92.

The capital assets schedule above includes land and buildings with a cost of $2,618,177.49 and a carrying value of $431,571.99 for which the College does not hold title. On April 26, 2017, the College signed a general warranty deed wherein the College deeded two buildings on the main campus to Rutherford County for the purpose of constructing the Applied Sciences and Workforce Development Building. In order for the County to obtain the financing needed to provide the resources for the project, the College transferred the titles for land and buildings to the County for use as collateral until the debt is satisfied, at which time the titles revert back to the College. In addition, on December 15, 2017, in exchange for grant funds received, the College covenants to the United States Department of Commerce – Economic Development Administration that the College will not sell, lease, transfer, convey, encumber or mortgage any interest in said building for a period of 20 years.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 95,970.24
Accounts Payable - Capital Assets	5,191.25
Accrued Payroll	420,000.21
Intergovernmental Payables	6,266.49
Total Accounts Payable and Accrued Liabilities	$ 527,428.19

NOTE 8 - 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	$ 262,565.85	$ -	$ 1,122.93	$ 261,442.92	$ 1,582.39
Compensated Absences	953,531.45	743,412.61	639,305.90	1,057,638.16	83,553.41
Net Pension Liability	7,303,567.00	-	4,547,856.00	2,755,711.00	-
Net Other Postemployment Benefits Liability	14,359,216.00	1,087,745.00	-	15,446,961.00	-
Total Long-Term Liabilities	$ 22,878,880.30	$ 1,831,157.61	$ 5,188,284.83	$ 19,521,753.08	$ 85,135.80

Additional information regarding leases payable is included in Note 9.
Additional information regarding the net pension liability is included in Note 13.
Additional information regarding the net other postemployment benefits liability is included in Note 14.

NOTE 9 - LEASES

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

Classification:	Number of Lease Contracts	Lease Liability June 30, 2022	Current Portion	Lease Terms [1]	Interest Rate
Lessee:					
Right-to-Use Buildings	1	$ 261,442.92	$ 1,582.39	07/01/2021 - 02/08/2045	4.00%

[1] Lease terms include period of liability from end of fiscal year through end of all expected extensions.

During the year the College did not recognize any variable payment amounts.

The College had commitments under leases before the lease term as follows: a ten-year lease agreement with 4 five-year extensions which the College believes it will exercise for the right-to-use space in a radio tower facility wherein the College has installed and operates radio broadcast equipment. The lease began March 8, 2016, and concludes on February 8, 2026, with total payments of $113,325.26. If all 4 extensions are exercised, the lease will conclude on February 8, 2045, with total payments since inception of $498,675.06.

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

Fiscal Year	Principal	Interest	Total
2023	$ 1,582.39	$ 10,430.75	$ 12,013.14
2024	2,075.05	10,358.56	12,433.61
2025	2,602.76	10,266.02	12,868.78
2026	3,167.49	10,151.70	13,319.19
2027	3,771.28	10,014.08	13,785.36
2028-2032	29,437.30	47,073.54	76,510.84
2033-2037	51,764.49	39,106.38	90,870.87
2038-2042	81,995.42	25,930.67	107,926.09
2043-2047	85,046.74	6,667.80	91,714.54
Total	$ 261,442.92	$ 169,999.50	$ 431,442.42

NOTE 10 - NET POSITION

Unrestricted net position has been significantly affected by transactions resulting from the recognition of deferred outflows of resources, deferred inflows of resources, and related long-term liabilities, as shown in the following table:

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (3,569,332.00)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(19,089,335.00)
Effect on Unrestricted Net Position	(22,658,667.00)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	2,416,152.37
Total Unrestricted Net Position	$ (20,242,514.63)

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

NOTE 11 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	$ 3,848,945.00	$3,117,425.60	$ 28,065.92	$ 703,453.48
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	$ 674,096.86	$ 401,164.09	$ 18,663.20	$ 254,269.57
Public Radio Station	751,561.24	-	1,495.44	750,065.80
Performing Arts Center	108,725.79	-	-	108,725.79
Vending	5,589.04	-	-	5,589.04
Rent	14,890.00	-	-	14,890.00
Sales and Services of Education and Related Activities	37,561.32	-	-	37,561.32
Total Sales and Services, Net	$ 1,592,424.25	$ 401,164.09	$ 20,158.64	$1,171,101.52

NOTE 12 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	$ 6,283,371.18	$ 691,291.62	$ -	$ -	$ -	$ 6,974,662.80
Public Service	676,129.48	586,707.21	-	295.32	-	1,263,132.01
Academic Support	2,004,261.66	299,593.42	-	-	-	2,303,855.08
Student Services	1,172,736.07	108,360.22	-	-	-	1,281,096.29
Institutional Support	2,767,702.95	1,523,822.56	-	-	-	4,291,525.51
Operations and Maintenance of Plant	1,045,332.84	844,572.72	-	643,979.19	-	2,533,884.75
Student Financial Aid	-	-	3,938,669.59	-	-	3,938,669.59
Auxiliary Enterprises	205,691.37	605,351.01	-	495.00	-	811,537.38
Depreciation/Amortization	-	-	-	-	1,262,851.18	1,262,851.18
Total Operating Expenses	$ 14,155,225.55	$ 4,659,698.76	$ 3,938,669.59	$ 644,769.51	$ 1,262,851.18	$ 24,661,214.59

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 $1,849,100.00 provided by the Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the College in providing the student awards, the related program activity is reported as nonoperating Federal Aid - COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 11.

NOTE 13 - PENSION PLANS

Defined Benefit Plan

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. 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 $599,096.39, and the College's contributions were $1,635,533.15 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 $2,755,711.00 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 0.05885%, which was a decrease of 0.00160 from its proportion measured as of June 30, 2020, which was 0.06045%.

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%)
$ 9,243,692.00	$ 2,755,711.00	$ (2,637,428.00)

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 $625,851.00. 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	$ 154,902.00	$ 62,585.00
Changes of Assumptions	1,033,697.00	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	3,414,360.00
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	8,490.85	169,299.00
Contributions Subsequent to the Measurement Date	1,635,533.15	-
Total	$ 2,832,623.00	$ 3,646,244.00

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	$ (419,106.00)
2024	(478,953.00)
2025	(512,415.00)
2026	(1,038,680.15)
Total	$ (2,449,154.15)

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS

The College participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 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 15. 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 $628,052.72 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 $93,425.00.

2. Disability Income

Plan Administration: As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units 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 $8,986.45 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 $15,446,961.00 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 0.04996%, which was a decrease of 0.00180 from its proportion measured as of June 30, 2020, which was 0.05176%.

Net OPEB Asset: At June 30, 2022, the College reported an asset of $8,350.00 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 0.05112%, which was a decrease of 0.00066 from its proportion measured as of June 30, 2020, which was 0.05178%.

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	$ 18,373,936.00	$ 15,446,961.00	$ 13,076,441.00
	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC	$ (5,272.00)	$ (8,350.00)	$ (11,197.00)

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

Net OPEB Liability (Asset)

	1% Decrease (Medical - 4% - 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	$ 12,509,434.00	$ 15,446,961.00	$ 19,343,862.00

	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	$ (8,789.00)	$ (8,350.00)	$ (7,804.00)

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

OPEB Plan	Amount
RHBF	$ (1,211,016.00)
DIPNC	19,473.00
Total OPEB Expense	$ (1,191,543.00)

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:

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 91,197.00	$ 21,290.00	$ 112,487.00
Changes of Assumptions	1,261,360.28	1,466.00	1,262,826.28
Net Difference Between Projected and Actual Earnings on Plan Investments	-	815.00	815.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	-	5,317.55	5,317.55
Contributions Subsequent to the Measurement Date	628,052.72	8,986.45	637,039.17
Total	$ 1,980,610.00	$ 37,875.00	$ 2,018,485.00

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 287,540.00	$ -	$ 287,540.00
Changes of Assumptions	3,753,947.00	3,031.00	3,756,978.00
Net Difference Between Projected and Actual Earnings on Plan Investments	7,902.00	-	7,902.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,573,595.00	-	1,573,595.00
Total	$ 5,622,984.00	$ 3,031.00	$ 5,626,015.00

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

Year Ending June 30:	RHBF	DIPNC
2023	$ (2,466,788.00)	$ 6,575.00
2024	(994,568.00)	4,836.00
2025	(432,016.00)	5,943.00
2026	(444,102.00)	3,043.00
2027	67,047.28	1,572.00
Thereafter	-	3,888.55
Total	$ (4,270,426.72)	$ 25,857.55

NOTE 15 - RISK MANAGEMENT

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

Employee Benefit Plans

1. **State Health Plan**

College employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 14, Other Postemployment Benefits, for additional information regarding retiree health benefits.

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

Term life insurance (death benefits) of $25,000 to $50,000 is provided to eligible workers who enroll in the Teachers' and State Employees' Retirement System. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.13% for the current fiscal year.

3. **Disability Income Plan**

Short-term and long-term disability benefits are provided to College employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the College for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 14, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

A. Other Risk Management and Insurance Activities

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

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

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

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

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $2,000,000 per claim and $10,000,000 in the aggregate per fiscal year via contract with 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. In addition, losses from all other employees are covered by a contract with a private insurance company with coverages of $100,000 per occurrence with a $500 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.

5. Other Insurance Held by the College

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. This coverage includes: Employer's Liability Insurance with limits of $100,000 per occurrence; Professional Liability Insurance with limits of $1,000,000 per occurrence covering students and instructors in Allied Health and Cosmetology programs; Directors' and Officers' Liability Insurance with a limit of $3,000,000 and a $25,000 deductible; and Cyber Liability Insurance with limits up to $1,000,000 and a $5,000 deductible.

NOTE 16 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $67,959.75 and on other purchases were $389,494.11 at June 30, 2022.

NOTE 17 - RELATED PARTY

The Earl Scruggs Music Festival, Inc. (Corporation) was established as a 501(c)(3) non-profit organization in September 2020. More specifically, the Corporation is organized as a Type I supporting organization. The activities are limited to the production of an annual music festival and all related business associated with that production. At all times, the Corporation is operated exclusively for the benefit of, and to carry out the purposes of the supported organizations, which include (1) Isothermal Community College, primarily with respect to its operation and support of WNCW 88.7 FM public radio station, and (2) Destination Cleveland County, with respect to its operation as The Earl Scruggs Center. The Corporation is governed by a Board of Directors and has designated three (3) appointments to Isothermal Community College, three (3) to Destination Cleveland County, and other directors to be appointed by the Board of Directors. Currently, the President of the College, the Chief Operating Officer, and one Board of Trustees member serve in these roles. It is the intent of the Corporation to produce a bluegrass festival annually to honor the life contributions of Earl Scruggs, specifically to the genre, region, and overall music industry. The Corporation is also authorized to engage in any lawful activity to directly, or indirectly support the charitable purposes assigned. The College received no distributions from the Corporation during the year ended June 30, 2022.

NOTE 18 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

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

GASB Statement No. 87, Leases

GASB Statement No. 99, Omnibus 2022

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.

GASB Statement No. 99 enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

NOTE 19 - 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 6 and Note 9 for details on the restated balances related to capital assets and lease liabilities, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

Isothermal 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	0.05885%	0.06045%	0.06310%	0.06389%	0.06671%
Proportionate Share of TSERS Collective Net Pension Liability	$2,755,711.00	$7,303,567.00	$6,541,550.00	$6,360,945.00	$5,293,066.00
Covered Payroll	$9,763,907.09	$9,787,769.43	$9,854,612.31	$9,545,501.78	$9,457,676.30
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	28.22%	74.62%	66.38%	66.64%	55.97%
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	0.06840%	0.06856%	0.07024%	0.07080%
Proportionate Share of TSERS Collective Net Pension Liability	$6,286,667.00	$2,526,572.00	$ 823,509.00	$4,298,281.00
Covered Payroll	$9,386,587.49	$9,435,794.58	$9,368,268.38	$9,361,352.66
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	66.98%	26.78%	8.79%	45.92%
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.

Isothermal 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	$ 1,635,533.15	$ 1,443,105.47	$ 1,269,473.70	$ 1,211,131.85	$ 1,029,005.09
Contributions in Relation to the Contractually Determined Contribution	1,635,533.15	1,443,105.47	1,269,473.70	1,211,131.85	1,029,005.09
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 9,984,939.87	$ 9,763,907.09	$ 9,787,769.43	$ 9,854,612.31	$ 9,545,501.78
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	$ 943,876.09	$ 858,872.76	$ 863,375.20	$ 814,102.52	$ 779,800.68
Contributions in Relation to the Contractually Determined Contribution	943,876.09	858,872.76	863,375.20	814,102.52	779,800.68
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 9,457,676.30	$ 9,386,587.49	$ 9,435,794.58	$ 9,368,268.38	$ 9,361,352.66
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.

Isothermal 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 13 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

Isothermal 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**

Retiree Health Benefit Fund	**2022**	**2021**	**2020**	**2019**	**2018**
Proportionate Share Percentage of Collective Net OPEB Liability	0.04996%	0.05176%	0.05258%	0.05452%	0.05521%
Proportionate Share of Collective Net OPEB Liability	$ 15,446,961.00	$ 14,359,216.00	$ 16,636,843.00	$ 15,532,779.00	$ 18,100,313.00
Covered Payroll	$ 9,763,907.09	$ 9,787,769.43	$ 9,854,612.31	$ 9,545,501.78	$ 9,457,676.30
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	158.20%	146.71%	168.82%	162.72%	191.38%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.72%	6.92%	4.40%	4.40%	3.52%

	2017
Proportionate Share Percentage of Collective Net OPEB Liability	0.05991%
Proportionate Share of Collective Net OPEB Liability	$ 26,062,886.00
Covered Payroll	$ 9,386,587.49
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	277.66%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.41%

Isothermal 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**

Disability Income Plan of North Carolina	**2022**	**2021**	**2020**	**2019**	**2018**
Proportionate Share Percentage of Collective Net OPEB Asset	0.05112%	0.05178%	0.05442%	0.05519%	0.05761%
Proportionate Share of Collective Net OPEB Asset	$ 8,350.00	$ 25,473.00	$ 23,482.00	$ 16,765.00	$ 35,211.00
Covered Payroll	$ 9,763,907.09	$ 9,787,769.43	$ 9,854,612.31	$ 9,545,501.78	$ 9,457,676.30
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.09%	0.26%	0.24%	0.18%	0.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	105.18%	115.57%	113.00%	108.47%	116.23%

	2017
Proportionate Share Percentage of Collective Net OPEB Asset	0.05995%
Proportionate Share of Collective Net OPEB Asset	$ 37,229.00
Covered Payroll	$ 9,386,587.49
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.40%
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.

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

Retiree Health Benefit Fund	**2022**	**2021**	**2020**	**2019**	**2018**
Contractually Required Contribution	$ 628,052.72	$ 652,228.99	$ 633,268.68	$ 617,884.19	$ 577,502.86
Contributions in Relation to the Contractually Determined Contribution	628,052.72	652,228.99	633,268.68	617,884.19	577,502.86
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$9,984,939.87	$9,763,907.09	$9,787,769.43	$9,854,612.31	$9,545,501.78
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	$ 549,490.99	$ 525,648.90	$ 518,025.12	$ 505,886.49	$ 496,151.69
Contributions in Relation to the Contractually Determined Contribution	549,490.99	525,648.90	518,025.12	505,886.49	496,151.69
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$9,457,676.30	$9,386,587.49	$9,435,794.58	$9,368,268.38	$9,361,352.66
Contributions as a Percentage of Covered Payroll	5.81%	5.60%	5.49%	5.40%	5.30%

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

Disability Income Plan of North Carolina	**2022**	**2021**	**2020**	**2019**	**2018**
Contractually Required Contribution	$ 8,986.45	$ 8,787.52	$ 9,787.77	$ 13,796.46	$ 13,363.70
Contributions in Relation to the Contractually Determined Contribution	8,986.45	8,787.52	9,787.77	13,796.46	13,363.70
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$9,984,939.87	$9,763,907.09	$9,787,769.43	$9,854,612.31	$9,545,501.78
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	$ 35,939.17	$ 38,485.01	$ 38,686.76	$ 41,220.38	$ 41,189.95
Contributions in Relation to the Contractually Determined Contribution	35,939.17	38,485.01	38,686.76	41,220.38	41,189.95
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$9,457,676.30	$9,386,587.49	$9,435,794.58	$9,368,268.38	$9,361,352.66
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.

Isothermal 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 14 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

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State Auditor

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Isothermal Community College
Spindale, 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 Isothermal Community College (College), a component unit of the State of North Carolina, and its discretely presented component units, 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 February 20, 2023. Our report includes a reference to other auditors who audited the financial statements of Isothermal Community College Foundation, Inc. and Polk County Campus I.C.C. Foundation, Inc., as described in our report on the College's financial statements. The financial statements of those entities 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 those entities.

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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 20, 2023

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This audit required 322 hours at an approximate cost of $38,640.