

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



TRI-COUNTY COMMUNITY COLLEGE

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

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



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STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Trustees, Tri-County Community College

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

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

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

A handwritten signature in black ink that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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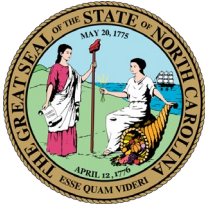
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Chapter 147, Article 5A of the North Carolina General Statutes, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The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



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Tri-County Community College
Murphy, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Tri-County Community College (College), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of Tri-County Community College, and its discretely presented component unit, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Tri-County Community College Foundation, Inc., the College's discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for Tri-County Community College Foundation, Inc., 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 9, 2023 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 9, 2023



MANAGEMENT'S DISCUSSION AND ANALYSIS

Purpose

The information in this section is intended to provide a general overview of Tri-County Community College's (College) financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The user is encouraged to reference the appropriate section of the financial statements for the detailed supporting information.

The College reports as a special purpose government engaged in business-type activities. Under this provision, the College presents financial statements using the economic resources measurement focus and the accrual basis of accounting. The basic financial statements under this provision are the following: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows, along with the Notes to the Financial Statements.

The Statement of Net Position reports all financial and capital resources available to the College as of the end of the fiscal year. This statement presents assets, deferred outflows of resources, liabilities, and deferred inflows of resources in order of their relative liquidity, meaning those assets that are most easily converted to cash are presented first, and liabilities whose maturity dates are nearest to the end of the fiscal year are presented first. Net position is presented in three categories: net investment in capital assets, restricted, and unrestricted. This statement details the College's financial strength and its ability to meet current and future obligations.

The Statement of Revenues, Expenses, and Changes in Net Position reports revenues and expenses by major source. Revenues are shown as operating, nonoperating, or as capital contributions. Expenses are also shown by major use as either operating or nonoperating. This statement is used to determine the extent the College is dependent upon operating or nonoperating sources of funding to continue operations.

The Statement of Cash Flows displays the cash receipts and cash payments of the College for the fiscal year. This statement is used to assess the College's ability to generate future net cash flows, to meet obligations, to identify needs for external financing, to identify the reasons for differences between operating income on the Statement of Revenues, Expenses, and Changes in Net Position and associated cash receipts and payments, and to identify the effects on the College's financial position of both its cash and noncash investing, capital, and financing transactions through the fiscal year. A reconciliation of operating loss to net cash used by operating activities is provided to detail the net effects of operating transactions and other events that affect operating income and operating cash flows in different periods.

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

Prior to fiscal year 2020-2021, Tri-County Community College Foundation, Inc., (Foundation) was presented as a blended component of the College. The evolving nature of the relationship between the two, the realignment of how board members are appointed, and how the operating, decision making, and investing processes are managed resulted in a change of financial statement presentation. The Foundation is now reported as a discretely presented component unit based on the nature and significance of its relationship to the College, and discussion of the Foundation is not included in the management discussion and analysis.

Total Assets

The assets of the College are divided between current and noncurrent holdings.

Current Assets

Current assets include cash, receivables, inventories, and prepaid items. Current assets increased by \$458,184.27 or 19.97% due, in large part, to the increase in unrestricted cash resulting from increased revenues and the liquidation of existing certificate of deposits investments. Investments decreased by 100% due to the same liquidation. Prepaid items decreased by \$61,474.95 or 88.96% as a result of a change in insurance effective dates versus billing dates.

	<u>2021-2022</u>	<u>2020-2021</u>	<u>\$ Change</u>	<u>% Change</u>
Cash	\$ 2,468,162.12	\$ 1,800,612.49	\$ 667,549.63	37.07%
Investments	-	132,000.00	(132,000.00)	(100.00%)
Receivables, Net	205,843.05	204,410.93	1,432.12	0.70%
Inventories	70,689.80	88,012.33	(17,322.53)	(19.68%)
Prepaid Items	7,625.32	69,100.27	(61,474.95)	(88.96%)
Total Current Assets	<u>\$ 2,752,320.29</u>	<u>\$ 2,294,136.02</u>	<u>\$ 458,184.27</u>	19.97%

Noncurrent Assets

Noncurrent assets include restricted cash, net other postemployment benefit (OPEB) asset, and capital assets (land, construction in progress, buildings, general infrastructure, machinery and equipment, and right-to-use equipment). Restricted cash & cash equivalents increased \$1,339,723.05 due to the College receiving two significant grants from the NC General Assembly. Net capital assets increased by \$435,480.06 or 3.56% due to the addition of a new college facility, the sustainable agriculture building, and new right-to-use leased equipment. For more information, see Note 5 of the notes to financial statements.

	<u>2021-2022</u>	<u>2020-2021</u>	<u>\$ Change</u>	<u>% Change</u>
Restricted Cash & Cash Equivalents	\$ 1,339,723.05	\$ -	\$ 1,339,723.05	
Investments	-	18,000.00	(18,000.00)	(100.00%)
Net OPEB Asset	4,954.00	13,248.00	(8,294.00)	(62.61%)
Capital Assets, Net	12,662,755.64	12,227,275.58	435,480.06	3.56%
Total Noncurrent Assets	<u>\$ 14,007,432.69</u>	<u>\$ 12,258,523.58</u>	<u>\$ 1,748,909.11</u>	14.27%

Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets by the government that is applicable to a future reporting period and has a positive effect on net position similar to assets. Deferred outflows of resources consisted of employer contributions for pension and OPEB benefits made during the current fiscal year applicable to a future reporting period and differences between the employer's actual contributions and proportionate share of contributions attributable to the measurement period. The increase of \$1,200,440.13 or 44.79% in deferred outflows of resources is mostly due to changes in actuarial assumptions

for both OPEB and pension plans. See Notes 12 and 13 of the notes to financial statements for further details.

	<u>2021-2022</u>	<u>2020-2021</u>	<u>\$ Change</u>	<u>% Change</u>
Deferred Outflows for Pensions	\$ 1,939,403.00	\$ 1,653,325.00	\$ 286,078.00	17.30%
Deferred Outflows for OPEB	1,940,974.13	1,026,612.00	914,362.13	89.07%
Total Deferred Outflows of Resources	<u>\$ 3,880,377.13</u>	<u>\$ 2,679,937.00</u>	<u>\$ 1,200,440.13</u>	44.79%

Total Liabilities

Total liabilities of the College decreased by \$521,811.01 or 4.42%. The liabilities of the College are divided between current liabilities, payable within twelve months, and noncurrent liabilities that extend beyond a year. Long-term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year calculated at the current salary rates for each employee and consistent with the institution's leave policies, leases that will extend beyond one year, as well as amounts pertaining to the College's net pension and OPEB liabilities.

Liabilities

Accounts payable and accrued liabilities increased by \$103,458.84 or 46.39% due to an increase in amounts due to vendors resulting from the timing of year end accruals and accrued salaries/benefits. The current portion of long-term liabilities increased by \$53,216.53 or 91.80% because of the inclusion of a new lease liability due to the implementation of GASB Statement No. 87, *Leases*. The noncurrent portion of long-term liabilities decreased by \$692,217.46 or 6.03% primarily due to a change in actuarial assumptions for both net OPEB and pension liabilities. For more information, see Notes 6, 7, 12, and 13 of the notes to financial statements.

	<u>2021-2022</u>	<u>2020-2021</u>	<u>\$ Change</u>	<u>% Change</u>
Current Liabilities				
Accounts Payable and Accrued Liabilities	\$ 326,460.86	\$ 223,002.02	\$ 103,458.84	46.39%
Unearned Revenue	61,058.85	44,877.77	16,181.08	36.06%
Funds Held for Others	5,243.71	7,693.71	(2,450.00)	(31.84%)
Long-Term Liabilities - Current Portion	111,186.79	57,970.26	53,216.53	91.80%
Noncurrent Liabilities				
Long-Term Liabilities	10,779,788.05	11,472,005.51	(692,217.46)	(6.03%)
Total Liabilities	<u>\$ 11,283,738.26</u>	<u>\$ 11,805,549.27</u>	<u>\$ (521,811.01)</u>	(4.42%)

Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of net assets by the government that is applicable to a future reporting period and has a negative effect on net position similar to liabilities. The increase in deferred inflows of resources of \$796,416.00 or 19.83% is primarily due to changes in actuarial assumptions for both OPEB and pension plans. See Notes 12 and 13 of the notes to financial statements for further details.

	2021-2022	2020-2021	\$ Change	% Change
Deferred Inflows for Pensions	\$ 2,038,631.00	\$ 59,082.00	\$ 1,979,549.00	3,350.51%
Deferred Inflows for OPEB	2,774,031.00	3,957,164.00	(1,183,133.00)	(29.90%)
Total Deferred Inflows of Resources	\$ 4,812,662.00	\$ 4,016,246.00	\$ 796,416.00	19.83%

Net Position

Net position is the difference between the College's assets plus deferred outflows of resources less liabilities and deferred inflows of resources. For fiscal year 2022, net investment in capital assets increased by \$271,067.06 or 2.22% due to the construction of a new facility and equipment additions exceeding reductions. Restricted net position increased by \$1,139,808.25 or 169.56% as a result of the receipt of additional grant funding for capital projects (see State Capital Aid and Capital Contributions section below). The deficit in unrestricted decreased primarily because of the fluctuations of the pension and OPEB components discussed above. See Note 9 of the notes to financial statements for additional details regarding the deficit in unrestricted net position.

	2021-2022	2020-2021	\$ Change	% Change
Net Investment in Capital Assets	\$ 12,498,342.64	\$ 12,227,275.58	\$ 271,067.06	2.22%
Restricted	1,812,013.63	672,205.38	1,139,808.25	169.56%
Unrestricted	(9,766,626.42)	(11,488,679.63)	1,722,053.21	14.99%
Total Net Position	\$ 4,543,729.85	\$ 1,410,801.33	\$ 3,132,928.52	222.07%

Total Revenues and Expenses

The College's total revenues increased by \$3,521,587.73 or 25.82% and are classified as operating, nonoperating, or other revenues. Total expenses increased by \$877,810.74 or 6.68% and are classified as either operating or nonoperating. The overall increase in the change in net position is primarily due to an increase in federal covid relief funds and the receipt of a state grant designated for capital purposes.

	2021-2022	2020-2021	\$ Change	% Change
Total Revenues	\$ 17,158,613.13	\$ 13,637,025.40	\$ 3,521,587.73	25.82%
Total Expenses	14,025,684.61	13,147,873.87	877,810.74	6.68%
Change in Net Position	\$ 3,132,928.52	\$ 489,151.53	\$ 2,643,776.99	540.48%

Operating Revenues

Operating revenues include net student tuition and fees, sales and services revenue (which is principally comprised of the revenue received from the bookstore, vending, and patron fees), state and local contracts, and other operating revenues. Student tuition, though identified as revenue, is remitted back to the State Treasurer and is not netted against the College's state aid, which is identified as nonoperating revenue. Gross student tuition and fees is reduced by

the scholarship discount, which represents payments toward tuition and fees from student financial aid, as well as the allowance for uncollectibles. These reductions result in net student tuition and fees. Net tuition and fees decreased by \$56,835.48 or 10.67% due to decreased enrollment and an increase in the scholarship discount.

	2021-2022	2020-2021	\$ Change	% Change
Student Tuition and Fees, Net	\$ 475,652.88	\$ 532,488.36	\$ (56,835.48)	(10.67%)
State and Local Grants and Contracts	39,999.96	39,999.96	-	-
Sales and Services	3,269.44	9,814.77	(6,545.33)	(66.69%)
Other Operating Revenues	99,242.56	131,537.70	(32,295.14)	(24.55%)
Total Operating Revenues	\$ 618,164.84	\$ 713,840.79	\$ (95,675.95)	(13.40%)

Nonoperating Revenues

Nonoperating revenues comprise the major portion of the College's income and include allocations from the North Carolina State Board of Community Colleges for current expenses and equipment purchases. This revenue source also includes funds appropriated from the Cherokee, Clay, and Graham County Boards of Commissioners. Noncapital contributions include funding for items such as new programming, student financial assistance, Tri-County Early College, private grantors and COVID relief funding. The increases in state aid of \$1,109,525.07 or 15.77% and federal aid – COVID-19 of \$1,728,789.77 or 220.35% are due to additional funds received to provide to students as well as to cover institutional expenses incurred as a result of the coronavirus. The reduction in state aid-coronavirus of \$1,358,303.06 or 88.68% was due to the expiration of those funding sources during the year. Student financial aid increased by \$172,155.80 or 9.93% as a result of additional state funded program initiatives directed to assist students. Noncapital contributions increased by \$228,336.76 or 64.86% due to the receipt of additional general grant funds, such as a \$125,000 grant from the Murphy Electric Power Board.

	2021-2022	2020-2021	\$ Change	% Change
State Aid	\$ 8,146,747.82	\$ 7,037,222.75	\$ 1,109,525.07	15.77%
State Aid - Coronavirus	173,349.02	1,531,652.08	(1,358,303.06)	(88.68%)
County Appropriations	1,198,458.83	1,180,524.04	17,934.79	1.52%
Student Financial Aid	1,906,519.93	1,734,364.13	172,155.80	9.93%
Federal Aid - COVID-19	2,513,350.28	784,560.51	1,728,789.77	220.35%
Noncapital Contributions	580,359.59	352,022.83	228,336.76	64.86%
Investment Income	696.67	538.51	158.16	29.37%
Other Nonoperating Expenses	(21,048.74)	(888.92)	(20,159.82)	2267.90%
Total Net Nonoperating Revenues	\$ 14,498,433.40	\$ 12,619,995.93	\$ 1,878,437.47	14.88%

State Capital Aid and Capital Contributions

Capital contributions are received through appropriations from the NC General Assembly, from the North Carolina State Board of Community Colleges for construction projects, under an allocation formula for educational equipment and library books, county appropriations, and other funding sources. During fiscal year 2021-2022 total contributions increased by \$1,717,777.47 or 566.57% due primarily to an appropriation by the State Capital Infrastructure Fund (SCIF) in the amount of \$1,275,000.00. The remaining increase is attributable to

allocated state bond funds to prepare facilities for the College's new sustainable agriculture program.

	2021-2022	2020-2021	\$ Change	% Change
State Capital Aid	\$ 745,966.15	\$ 276,489.68	\$ 469,476.47	169.80%
Capital Contributions	1,275,000.00	26,699.00	1,248,301.00	4,675.46%
Total Contributions	\$ 2,020,966.15	\$ 303,188.68	\$ 1,717,777.47	566.57%

Operating Expenses

The College's operating expenses are comprised principally of the direct cost of personnel and their fringe benefits identified as salaries and benefits. The most significant change is related to scholarships and fellowships which increased by \$574,730.46 or 34.53%. This was a result of an increase in federal coronavirus funding that provided for additional student scholarships. Salaries and benefits increased by \$142,089.36 or 1.77% due to a 2.5% legislative increase in salaries. Additionally, supplies and services expense increased \$107,625.39 or 4.09% primarily due to inflation and the general increase in costs of materials.

	2021-2022	2020-2021	\$ Change	% Change
Salaries and Benefits	\$ 8,167,567.19	\$ 8,025,477.83	\$ 142,089.36	1.77%
Supplies and Services	2,736,990.11	2,629,364.72	107,625.39	4.09%
Scholarships and Fellowships	2,239,114.17	1,664,383.71	574,730.46	34.53%
Utilities	312,121.52	304,782.87	7,338.65	2.41%
Depreciation/Amortization	548,842.88	523,864.74	24,978.14	4.77%
Total Expenses	\$ 14,004,635.87	\$ 13,147,873.87	\$ 856,762.00	6.52%

Economic Outlook

The College has worked diligently to emerge from the negative effects that resulted from the Coronavirus pandemic. Innovative programming initiatives have been put in place to attract potential new student resources and help to offset recent enrollment decline. Unemployment is low in the market area and the College continues to partner with its industrial business community to provide employee training and skills enhancement programs. Impending national inflation and a tightening economy will be the challenge facing the College in the ensuing fiscal year.

In November of 2022, the College received \$18,450,000 from the SCIF administered by the Office of State Budget and Management. These funds have been designated for the construction of a Center for Cultural and Historical Engagement in the amount of \$9,750,000 and for a Workforce Solutions Center in the amount of \$8,700,000.



FINANCIAL STATEMENTS

Tri-County Community College
Statement of Net Position
June 30, 2022

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,998,938.02
Restricted Cash and Cash Equivalents	469,224.10
Receivables, Net (Note 4)	205,843.05
Inventories	70,689.80
Prepaid Items	7,625.32
Total Current Assets	<u>2,752,320.29</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	1,339,723.05
Net Other Postemployment Benefits Asset	4,954.00
Capital Assets - Nondepreciable (Note 5)	554,255.07
Capital Assets - Depreciable, Net (Note 5)	<u>12,108,500.57</u>
Total Noncurrent Assets	<u>14,007,432.69</u>

Total Assets	<u>16,759,752.98</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	1,939,403.00
Deferred Outflows Related to Other Postemployment Benefits (Note 13)	<u>1,940,974.13</u>
Total Deferred Outflows of Resources	<u>3,880,377.13</u>

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	326,460.86
Unearned Revenue	61,058.85
Funds Held for Others	5,243.71
Long-Term Liabilities - Current Portion (Note 7)	<u>111,186.79</u>
Total Current Liabilities	<u>503,950.21</u>

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	<u>10,779,788.05</u>
Total Liabilities	<u>11,283,738.26</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	2,038,631.00
Deferred Inflows Related to Other Postemployment Benefits (Note 13)	<u>2,774,031.00</u>
Total Deferred Inflows of Resources	<u>4,812,662.00</u>

Tri-County Community College
Statement of Net Position
June 30, 2022

Exhibit A-1
Page 2 of 2

NET POSITION

Net Investment in Capital Assets	12,498,342.64
Restricted:	
Expendable:	
Student Financial Aid	6,500.00
Restricted for Specific Programs	448,898.37
Capital Projects	1,334,460.26
Other	22,155.00
Total Restricted-Expendable Net Position	1,812,013.63
Unrestricted	(9,766,626.42)
Total Net Position	\$ 4,543,729.85

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

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

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 10)	\$ 475,652.88
State and Local Grants and Contracts	39,999.96
Sales and Services	3,269.44
Other Operating Revenues	99,242.56

Total Operating Revenues	618,164.84
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OPERATING EXPENSES

Salaries and Benefits	8,167,567.19
Supplies and Services	2,736,990.11
Scholarships and Fellowships	2,239,114.17
Utilities	312,121.52
Depreciation/Amortization	548,842.88

Total Operating Expenses	14,004,635.87
--------------------------	---------------

Operating Loss	(13,386,471.03)
----------------	-----------------

NONOPERATING REVENUES (EXPENSES)

State Aid	8,146,747.82
State Aid - Coronavirus	173,349.02
County Appropriations	1,198,458.83
Student Financial Aid	1,906,519.93
Federal Aid - COVID-19	2,513,350.28
Noncapital Contributions	580,359.59
Investment Income	696.67
Other Nonoperating Expenses	(21,048.74)

Net Nonoperating Revenues	14,498,433.40
---------------------------	---------------

Income Before Other Revenues	1,111,962.37
------------------------------	--------------

State Capital Aid	745,966.15
Capital Contributions	1,275,000.00

Total Other Revenues	2,020,966.15
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Increase in Net Position	3,132,928.52
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NET POSITION

Net Position - July 1, 2021	1,410,801.33
Net Position - June 30, 2022	\$ 4,543,729.85

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

Tri-County Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 638,836.00
Payments to Employees and Fringe Benefits	(9,293,397.40)
Payments to Vendors and Suppliers	(2,887,842.17)
Payments for Scholarships and Fellowships	(2,216,806.27)
Other Payments	(423.65)
	<hr/>
Net Cash Used by Operating Activities	(13,759,633.49)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid	8,146,747.82
State Aid - Coronavirus	173,349.02
County Appropriations	1,198,458.83
Student Financial Aid	1,906,519.93
Federal Aid - COVID-19	2,513,350.28
Noncapital Contributions	498,888.79
	<hr/>
Total Cash Provided by Noncapital Financing Activities	14,437,314.67

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

State Capital Aid	745,966.15
Capital Contributions	1,275,000.00
Acquisition and Construction of Capital Assets	(835,643.60)
Principal Paid on Leases	(4,961.00)
Interest and Fees Paid on Leases	(1,469.99)
	<hr/>
Net Cash Provided by Capital Financing and Related Financing Activities	1,178,891.56

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	150,000.00
Investment Income	699.94
	<hr/>
Total Cash Provided by Investing Activities	150,699.94
	<hr/>
Net Increase in Cash and Cash Equivalents	2,007,272.68
Cash and Cash Equivalents - July 1, 2021	1,800,612.49
	<hr/>
Cash and Cash Equivalents - June 30, 2022	\$ 3,807,885.17

Tri-County Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2022

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (13,386,471.03)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	548,842.88
Other Nonoperating Income	1,115.92
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	27,712.41
Inventories	17,322.53
Prepaid Items	61,474.96
Net Other Postemployment Benefits Asset	8,294.00
Deferred Outflows Related to Pensions	(286,078.00)
Deferred Outflows Related to Other Postemployment Benefits	(914,362.13)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	103,458.84
Unearned Revenue	16,181.08
Funds Held for Others	(2,450.00)
Net Pension Liability	(2,156,838.00)
Net Other Postemployment Benefits Liability	1,420,929.00
Compensated Absences	(15,181.95)
Deferred Inflows Related to Pensions	1,979,549.00
Deferred Inflows Related to Other Postemployment Benefits	(1,183,133.00)
Net Cash Used by Operating Activities	<u><u>\$ (13,759,633.49)</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 169,374.00
Loss on Disposal of Capital Assets	(20,694.66)
Increase in Receivables Related to Nonoperating Revenues	29,147.81
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(52,323.00)

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

Tri-County Community College Foundation, Inc.
Statement of Financial Position
June 30, 2022

Exhibit B-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	133,006
Prepaid Expenses		<u>728</u>
Total Current Assets		<u>133,734</u>

Noncurrent Assets:

Endowment		<u>237,310</u>
Total Assets	\$	<u><u>371,044</u></u>

LIABILITIES

Deferred Revenue	\$	<u>4,838</u>
------------------	----	--------------

NET ASSETS

Without Donor Restrictions		74,062
With Donor Restrictions		<u>292,144</u>
Total Net Assets		<u>366,206</u>
Total Liabilities and Net Assets	\$	<u><u>371,044</u></u>

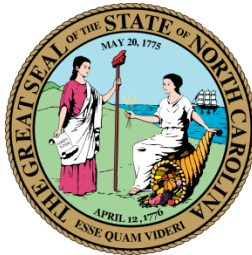
The accompanying notes to the financial statements are an integral part of this statement.

Tri-County Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2022

Exhibit B-2

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 20,107	\$ 25,182	\$ 45,289
Endowment Losses	-	(62,655)	(62,655)
In-Kind Contributions	21,994	-	21,994
Net Assets Released from Restrictions	12,877	(12,877)	-
Total Support and Revenue	54,978	(50,350)	4,628
EXPENSES			
Program Services	18,636	-	18,636
Management and General	18,414	-	18,414
Fundraising	5,706	-	5,706
Total Expenses	42,756	-	42,756
Change in Net Assets	12,222	(50,350)	(38,128)
NET ASSETS			
Net Assets at Beginning of Year	61,840	342,494	404,334
Net Assets at End of Year	\$ 74,062	\$ 292,144	\$ 366,206

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. Tri-County Community College (College) is a component unit of the State of North Carolina and an integral part of the State's *Annual Comprehensive Financial Report*.

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. See below for further discussion of the College's component unit. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

Discretely Presented Component Unit - Tri-County Community College Foundation, Inc. (Foundation) is a legally separate, nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 12 elected members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2022, the Foundation made no distributions to the College for either restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Cathy LaTulipe, Director of the Foundation, 21 Campus Circle, Murphy, NC 28906, or by calling (828) 835-4300.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and*

Analysis - for Public Colleges and Universities, and GASB Statement No. 84, *Fiduciary Activities*, the full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange, include state aid, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, and cash on deposit with private bank accounts.

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

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

- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs. 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 and right-to-use assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

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

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

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

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

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

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

J. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include: 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 12 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the College's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2021 *Annual Comprehensive Financial Report*. This liability represents the College's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 13 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

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

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next fiscal year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

- L. Deferred Outflows/Inflows of Resources** - Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

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

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 9 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

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

- O. Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of

auxiliary enterprises, and (3) certain federal, state, and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

- P. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use 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 \$750.00. The carrying amount of the College's deposits not with the State Treasurer was \$3,807,135.17, and the bank balance was \$3,931,176.25.

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

Component Unit - Investments of the College's discretely presented component unit, the Foundation, are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model,

disclosures of the various investment risks are not required. The following is an analysis of investments by type:

Investment Type	Foundation Investments
Equities	\$ 125,867
Fixed Income	108,473
Cash	2,969
Total	\$ 237,310

NOTE 3 - FAIR VALUE MEASUREMENTS

Component Unit - Fair value is the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Certain valuation techniques are used to measure fair value. There are three broad levels as follows:

- Level 1 (The highest level) Inputs are based on quoted prices in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date. For example, securities traded in an active market, such as the New York Stock Exchange, are valued using Level 1 inputs.
- Level 2 Inputs are observable inputs other than quoted prices, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term.
- Level 3 Inputs are unobservable inputs for the asset or liability, meaning the inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability, including inputs related to risk, which have been developed based on the best information available in the circumstances.

The Foundation held investments at one brokerage firm at fair value on a recurring basis during the year. Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

Fair Value Measurements at Reporting Date Using				
	Fair Value	Level 1	Level 2	Level 3
Endowment	\$ 237,310	\$ 237,310	\$ -	\$ -

NOTE 4 - RECEIVABLES

Receivables at June 30, 2022, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 161,010.59	\$ 16,698.87	\$ 144,311.72
Student Sponsors	19,068.45	-	19,068.45
Intergovernmental	42,462.88	-	42,462.88
Total Current Receivables	\$ 222,541.92	\$ 16,698.87	\$ 205,843.05

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital Assets, Nondepreciable:				
Land	\$ 501,488.02	\$ -	\$ -	\$ 501,488.02
Construction in Progress	-	546,639.15	493,872.10	52,767.05
Total Capital Assets, Nondepreciable	501,488.02	546,639.15	493,872.10	554,255.07
Capital Assets, Depreciable:				
Buildings	15,755,771.07	493,872.10	-	16,249,643.17
Machinery and Equipment	3,295,974.98	263,891.55	122,814.95	3,437,051.58
General Infrastructure	1,210,042.29	25,112.90	-	1,235,155.19
Right-to-Use Leased Machinery and Equipment	-	169,374.00	-	169,374.00
Total Capital Assets, Depreciable	20,261,788.34	952,250.55	122,814.95	21,091,223.94
Less Accumulated Depreciation/Amortization for:				
Buildings	6,024,550.62	280,980.51	-	6,305,531.13
Machinery and Equipment	2,190,602.76	238,677.37	102,120.29	2,327,159.84
General Infrastructure	320,847.40	23,539.00	-	344,386.40
Right-to-Use Leased Machinery and Equipment	-	5,646.00	-	5,646.00
Total Accumulated Depreciation/Amortization	8,536,000.78	548,842.88	102,120.29	8,982,723.37
Total Capital Assets, Depreciable, Net	11,725,787.56	403,407.67	20,694.66	12,108,500.57
Capital Assets, Net	\$12,227,275.58	\$ 950,046.82	\$ 514,566.76	\$12,662,755.64

NOTE 6 - 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	\$ 143,189.40
Accrued Payroll	183,271.46
Total Accounts Payable and Accrued Liabilities	\$ 326,460.86

NOTE 7 - 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	Additions	Reductions	Balance June 30, 2022	Current Portion
Leases Payable	\$ -	\$ 169,374.00	\$ 4,961.00	\$ 164,413.00	\$ 30,688.00
Compensated Absences	494,626.79	360,475.41	375,657.36	479,444.84	80,498.79
Net Pension Liability	3,752,668.00	-	2,156,838.00	1,595,830.00	-
Net Other Postemployment Benefits Liability	7,282,681.00	1,368,606.00	-	8,651,287.00	-
Total Long-Term Liabilities	\$ 11,529,975.79	\$ 1,898,455.41	\$ 2,537,456.36	\$ 10,890,974.84	\$ 111,186.79

Additional information regarding leases payable is included in Note 8.

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

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

NOTE 8 - LEASES

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

Classification:	Number of Lease Contracts	Lease Liability June 30, 2022	Current Portion	Lease Terms	Interest Rate
Lessee:					
Right-to-Use Machinery and Equipment	1	\$ 164,413.00	\$ 30,688.00	5 Years	5.25%

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 30,688.00	\$ 7,900.00	\$ 38,588.00
2024	32,339.00	6,250.00	38,589.00
2025	34,078.00	4,511.00	38,589.00
2026	35,911.00	2,678.00	38,589.00
2027	31,397.00	761.00	32,158.00
Total	\$ 164,413.00	\$ 22,100.00	\$ 186,513.00

NOTE 9 - NET POSITION

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

	<u>Amount</u>
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (1,695,058.00)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(9,501,544.87)</u>
Effect on Unrestricted Net Position	(11,196,602.87)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	<u>1,429,976.45</u>
Total Unrestricted Net Position	<u>\$ (9,766,626.42)</u>

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

NOTE 10 - REVENUES

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

	<u>Gross Revenues</u>	<u>Less Scholarship Discounts and Allowances</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$ 1,258,594.74</u>	<u>\$ 752,000.65</u>	<u>\$ 30,941.21</u>	<u>\$ 475,652.88</u>

NOTE 11 - 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	\$ 5,010,284.81	\$ 1,641,425.07	\$ 373.00	\$ -	\$ -	\$ 6,652,082.88
Academic Support	873,133.06	42,141.52	-	-	-	915,274.58
Student Services	953,455.62	27,736.76	33,975.00	-	-	1,015,167.38
Institutional Support	845,423.62	594,698.33	3,049.75	-	-	1,443,171.70
Operations and Maintenance of Plant	485,270.08	420,968.57	-	312,121.52	-	1,218,360.17
Student Financial Aid	-	6,118.79	2,201,716.42	-	-	2,207,835.21
Auxiliary Enterprises	-	3,901.07	-	-	-	3,901.07
Depreciation/Amortization	-	-	-	-	548,842.88	548,842.88
Total Operating Expenses	\$ 8,167,567.19	\$ 2,736,990.11	\$ 2,239,114.17	\$ 312,121.52	\$ 548,842.88	\$ 14,004,635.87

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 \$953,210.28 provided by the Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the College in providing the student awards, the related program activity is reported as nonoperating Federal Aid - COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 10.

NOTE 12 - PENSION PLANS

Defined Benefit Plan

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate

Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The College's contractually-required contribution rate for the year ended June 30, 2022 was 16.38% of covered payroll. Plan members' contributions to the pension plan were \$353,017.49, and the College's contributions were \$963,737.75 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 \$1,595,830.00 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 0.03408%, which was an increase of 0.00302 from its proportion measured as of June 30, 2020, which was 0.03106%.

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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
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%)
\$ 5,353,016.49	\$ 1,595,830.00	\$ (1,527,333.03)

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 \$499,816.00. 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	\$ 89,704.00	\$ 36,243.00
Changes of Assumptions	598,613.00	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	1,977,254.00
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	287,348.25	25,134.00
Contributions Subsequent to the Measurement Date	963,737.75	-
Total	\$ 1,939,403.00	\$ 2,038,631.00

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:**

<u>Year Ending June 30:</u>	<u>Amount</u>
2023	\$ (118,207.00)
2024	(132,790.00)
2025	(205,552.00)
2026	(606,416.75)
Total	<u>\$ (1,062,965.75)</u>

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

The College participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2021 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

Methods Used to Value Plan Investments: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2021 *Annual Comprehensive Financial Report*.

B. Plan Descriptions

1. Health Benefits

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

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

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

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 14. The plan options change when former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

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

noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

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

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 \$370,080.00 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 \$52,323.00.

2. Disability Income

Plan Administration: As discussed in Note 14, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and LEAs which are not part of the reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provided the following

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

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

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

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the North Carolina General Assembly and coincide with the State's fiscal year. The College's contractually-required contribution rate for the year ended June 30, 2022 was 0.09% of covered payroll. The College's contributions to DIPNC were \$5,295.26 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 \$8,651,287.00 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 0.02798%, which was an increase of 0.00173 from its proportion measured as of June 30, 2020, which was 0.02625%.

Net OPEB Asset: At June 30, 2022, the College reported an asset of \$4,954.00 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 0.03033%, which was an increase of 0.00340 from its proportion measured as of June 30, 2020, which was 0.02693%.

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	\$ 10,289,266.99	\$ 8,651,287.00	\$ 7,322,709.31
	1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC	\$ (3,127.93)	\$ (4,954.00)	\$ (6,643.48)

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	\$ 7,005,189.48	\$ 8,651,287.00	\$ 10,832,418.39
DIPNC	\$ (5,214.33)	\$ (4,954.00)	\$ (4,629.87)

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

OPEB Plan	Amount
RHBF	\$ (304,017.00)
DIPNC	11,123.00
Total OPEB Expense	\$ (292,894.00)

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	\$ 51,076.00	\$ 12,632.00	\$ 63,708.00
Changes of Assumptions	707,601.00	870.00	708,471.00
Net Difference Between Projected and Actual Earnings on Plan Investments	-	483.00	483.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	790,664.13	2,272.74	792,936.87
Contributions Subsequent to the Measurement Date	370,080.00	5,295.26	375,375.26
Total	\$ 1,919,421.13	\$ 21,553.00	\$ 1,940,974.13

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 161,041.00	\$ -	\$ 161,041.00
Changes of Assumptions	2,102,451.00	1,799.00	2,104,250.00
Net Difference Between Projected and Actual Earnings on Plan Investments	4,425.00	-	4,425.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	<u>501,762.00</u>	<u>2,553.00</u>	<u>504,315.00</u>
Total	<u><u>\$ 2,769,679.00</u></u>	<u><u>\$ 4,352.00</u></u>	<u><u>\$ 2,774,031.00</u></u>

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

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

<u>Year Ending June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2023	\$ (1,007,333.00)	\$ 3,471.00
2024	(305,032.00)	2,439.00
2025	(94,599.00)	3,094.00
2026	(30,160.00)	1,404.00
2027	216,786.13	531.00
Thereafter	<u>-</u>	<u>966.74</u>
Total	<u><u>\$ (1,220,337.87)</u></u>	<u><u>\$ 11,905.74</u></u>

NOTE 14 - RISK MANAGEMENT

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

A. Public Entity Risk Pool**State Public Education Property Insurance Fund**

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

B. Employee Benefit Plans**1. State Health Plan**

College employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims. See Note 13, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

Short-term and long-term disability benefits are provided to College employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the College for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 13, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

C. Other Risk Management and Insurance Activities**1. Automobile Insurance**

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The

College pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$100,000 deductible. Losses from county and institutional fund paid employees are covered by private insurance claims.

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 in the current year regarding cybercrime and fraud protection. As part of the College's risk mitigation plan, coverage pertaining to security and liability regulatory action, event management, and cyber extortion was acquired. Coverage limits for each component range from \$250,000 to \$2,000,000.

NOTE 15 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects. The College had one commitment on a construction contract in the amount of \$340,836.41 at June 30, 2022.

NOTE 16 - 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 17 - SUBSEQUENT EVENT

On November 10, 2022, the College received \$18,450,000 from the State Capital and Infrastructure Fund administered by the Office of State Budget and Management. These funds have been designated for the construction of a Center for Cultural and Historical Engagement in the amount of \$9,750,000 and for a Workforce Solutions Center in the amount of \$8,700,000.



REQUIRED SUPPLEMENTARY INFORMATION

Tri-County 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	0.03408%	0.03106%	0.03008%	0.03219%	0.03332%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 1,595,830.00	\$ 3,752,668.00	\$ 3,118,381.00	\$ 3,204,865.00	\$ 2,643,756.00
Covered Payroll	\$ 5,569,822.37	\$ 5,100,416.35	\$ 4,915,654.93	\$ 5,029,591.84	\$ 5,112,303.93
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	28.65%	73.58%	63.44%	63.72%	51.71%
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	0.03287%	0.03420%	0.03200%	0.03030%	
Proportionate Share of TSERS Collective Net Pension Liability	\$ 3,021,093.00	\$ 1,260,338.00	\$ 375,175.00	\$ 1,839,519.00	
Covered Payroll	\$ 4,880,706.70	\$ 4,799,851.67	\$ 4,501,764.52	\$ 4,470,379.80	
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	61.90%	26.26%	8.33%	41.15%	
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.

Tri-County 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	\$ 963,737.75	\$ 823,219.75	\$ 661,524.00	\$ 604,133.99	\$ 542,190.19
Contributions in Relation to the Contractually Determined Contribution	963,737.75	823,219.75	661,524.00	604,133.99	542,190.19
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$5,883,624.87	\$5,569,822.37	\$5,100,416.35	\$4,915,654.93	\$5,029,591.84
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	\$ 510,237.87	\$ 446,584.66	\$ 439,186.43	\$ 391,203.34	\$ 372,382.64
Contributions in Relation to the Contractually Determined Contribution	510,237.87	446,584.66	439,186.43	391,203.34	372,382.64
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$5,112,303.93	\$4,880,706.70	\$4,799,851.67	\$4,501,764.52	\$4,470,379.80
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.

Tri-County 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:

	<u>Cost of Living Increase</u>									
Teachers' and State Employees' Retirement System	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A

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

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

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

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of College Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Note 12 for more information on the specific assumptions for each plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

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

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

N/A - Not Applicable

Tri-County Community College
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Six Fiscal Years*

Exhibit C-3
Page 1 of 2

Retiree Health Benefit Fund	2022	2021	2020	2019	2018
Proportionate Share Percentage of Collective Net OPEB Liability	0.02798%	0.02625%	0.02614%	0.02822%	0.02719%
Proportionate Share of Collective Net OPEB Liability	\$ 8,651,287.00	\$ 7,282,681.00	\$ 8,270,540.00	\$ 8,040,146.00	\$ 8,916,042.00
Covered Payroll	\$ 5,569,822.37	\$ 5,100,416.15	\$ 4,915,654.93	\$ 5,029,591.84	\$ 5,112,603.93
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	155.32%	142.79%	168.25%	159.86%	174.39%
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	0.02820%				
Proportionate Share of Collective Net OPEB Liability	\$ 12,267,959.00				
Covered Payroll	\$ 4,880,706.70				
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	251.36%				
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.41%				

Tri-County Community College
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Six Fiscal Years*

Exhibit C-3
Page 2 of 2

Disability Income Plan of North Carolina	2022	2021	2020	2019	2018
Proportionate Share Percentage of Collective Net OPEB Asset	0.03033%	0.02693%	0.02619%	0.02801%	0.02898%
Proportionate Share of Collective Net OPEB Asset	\$ 4,954.00	\$ 13,248.00	\$ 11,301.00	\$ 8,508.00	\$ 17,713.00
Covered Payroll	\$ 5,569,822.37	\$ 5,100,416.35	\$ 4,915,654.93	\$ 5,029,591.84	\$ 5,112,603.93
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.09%	0.26%	0.23%	0.17%	0.35%
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	0.02886%				
Proportionate Share of Collective Net OPEB Asset	\$ 17,922.00				
Covered Payroll	\$ 4,880,706.70				
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.37%				
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.

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

Exhibit C-4
Page 1 of 2

Retiree Health Benefit Fund	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 370,080.00	\$ 372,064.13	\$ 329,996.94	\$ 308,211.56	\$ 304,290.31
Contributions in Relation to the Contractually Determined Contribution	<u>370,080.00</u>	<u>372,064.13</u>	<u>329,996.94</u>	<u>308,211.56</u>	<u>304,290.31</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$5,883,624.87	\$5,569,822.37	\$5,100,416.15	\$4,915,654.93	\$5,029,591.84
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	\$ 297,042.29	\$ 273,319.58	\$ 263,511.86	\$ 243,095.28	\$ 236,930.13
Contributions in Relation to the Contractually Determined Contribution	<u>297,042.29</u>	<u>273,319.58</u>	<u>263,511.86</u>	<u>243,095.28</u>	<u>236,930.13</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$5,112,603.93	\$4,880,706.70	\$4,799,851.67	\$4,501,764.52	\$4,470,379.80
Contributions as a Percentage of Covered Payroll	5.81%	5.60%	5.49%	5.40%	5.30%

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

Exhibit C-4
Page 2 of 2

Disability Income Plan of North Carolina	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 5,295.26	\$ 5,012.84	\$ 5,100.42	\$ 6,881.92	\$ 7,041.43
Contributions in Relation to the Contractually Determined Contribution	5,295.26	5,012.84	5,100.42	6,881.92	7,041.43
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$5,883,624.87	\$5,569,822.37	\$5,100,416.35	\$4,915,654.93	\$5,029,591.84
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	\$ 19,427.89	\$ 20,101.90	\$ 19,679.39	\$ 19,807.76	\$ 19,669.67
Contributions in Relation to the Contractually Determined Contribution	19,427.89	20,101.90	19,679.39	19,807.76	19,669.67
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$5,112,603.93	\$4,880,706.70	\$4,799,851.67	\$4,501,764.52	\$4,470,379.80
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.

Tri-County Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2022

Changes of Benefit Terms: Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of five options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of five options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2019, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for one of four options of the RHBF. Out-of-pocket maximums increased while certain specialist copays decreased related to option benefits.

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

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

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of College Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of College Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 13 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the Committee on Actuarial Valuation of Retired Employees' Health Benefits adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

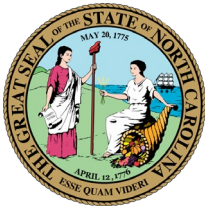
Consistent with the prior year, for the actuarial valuation measured as of June 30, 2021, the discount rate for the RHBF was updated to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. In 2020, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

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



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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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
Tri-County Community College
Murphy, 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 Tri-County Community College (College), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 9, 2023. Our report includes a reference to other auditors who audited the financial statements of Tri-County Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Tri-County Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with Tri-County Community College, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

February 9, 2023

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919-807-7666



This audit required 335 hours at an approximate cost of \$40,200.