

# Brunswick Community College

Bolivia, North Carolina

## Financial Statement Audit Report

For the Year Ended June 30, 2023

*A Component Unit of the State of North Carolina*

**UNBIASED. IMPACTFUL. IRREFUTABLE.**



A Department of the  
State of North Carolina





## North Carolina Office of the State Auditor

Jessica N. Holmes, State Auditor

[www.auditor.nc.gov](http://www.auditor.nc.gov)

# Auditor's Transmittal

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

We have completed a financial statement audit of Brunswick Community College for the year ended June 30, 2023, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

A handwritten signature in cursive script that reads "Jessica N. Holmes".

Jessica N. Holmes  
State Auditor

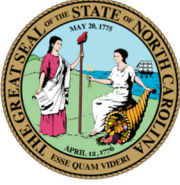
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Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The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



# **Independent Auditor's Report**



## North Carolina Office of the State Auditor

Jessica N. Holmes, State Auditor

[www.auditor.nc.gov](http://www.auditor.nc.gov)

# Independent Auditor's Report

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Board of Trustees  
Brunswick Community College  
Bolivia, North Carolina

## **Report on the Audit of the Financial Statements**

### *Opinions*

We have audited the financial statements of Brunswick 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, 2023, 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 Brunswick Community College, and its discretely presented component unit, as of June 30, 2023, 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 Brunswick 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 Brunswick Community College Foundation, Inc., are based solely on the report of the other auditors.

### *Basis for Opinions*

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

### *Responsibilities of Management for the Financial Statements*

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

States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

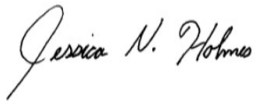
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2024 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.



Jessica N. Holmes  
State Auditor

Raleigh, North Carolina

March 7, 2024



# **Management's Discussion and Analysis**



This section of Brunswick Community College's (College) financial statements provides an overview of the financial activities for the fiscal year ended June 30, 2023, with comparative data for fiscal year ended June 30, 2022. Information contained herein has been prepared for the purpose of identifying significant transactions, trends, and events that have impacted the fiscal health of the College and that may continue to exert influence in future years. It is recommended that this discussion and analysis be read in conjunction with the College's basic financial statements and the notes to the financial statements.

### **Using This Annual Report**

The financial statements present financial information in a form similar to that used by corporations. They focus on the financial condition of the College, the results of operations, and cash flow of the College as a whole.

The Statement of Net Position reports current and noncurrent assets and liabilities separately, as well as deferred inflows and outflows of resources. Over time, increases and decreases in net position are an indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the net position changed during the fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

The Statement of Cash Flows provides information regarding the College's cash receipts and cash payments during the reported period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, capital and related financing, and investing activities. The statement reconciles the beginning cash on hand as of July 1, 2022, to the ending cash on hand as of June 30, 2023.

Management's Discussion and Analysis will concentrate on the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, using condensed versions for the purposes of this discussion.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements and may be found at the end of this report.

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

### **Financial Highlights**

Overall, the College's net position increased \$2,145,357.40 over the past year. See the Statement of Net Position section below for the causes of this net increase.

State funds for North Carolina community colleges are appropriated by the North Carolina General Assembly and distributed to colleges by the North Carolina State Board of Community Colleges based on full-time equivalents (FTE) earned in the prior academic year or a two-year average, whichever is greater. The North Carolina Community College System as a whole recognized a 3.77% increase in FTE for the 2022-2023 fiscal year. The College's total budget FTE increased from 1,783 to 1,992 for 2022-2023, or 11.72%. This increase was due to additional FTE of 70 in Curriculum, 103 in Occupational Extension, and 36 in Basic Skills.

	<u>2022-2023</u>	<u>2021-2022</u>	<u>Percent Change</u>
Curriculum	1,383	1,313	5.33%
Occupational Extension	419	316	32.59%
Basic Skills	<u>190</u>	<u>154</u>	23.38%
Total	<u>1,992</u>	<u>1,783</u>	11.72%

## Statement of Net Position

The Statement of Net Position presents the financial position of the College at June 30, 2023, defined by the balances of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Assets are classified as current or noncurrent and cash is further identified as unrestricted or restricted. Current assets include those resources available to meet current obligations and operating requirements while noncurrent assets are to be held to meet future needs. Capital assets are shown net of depreciation and amortization. Net position is grouped into three categories: investment in capital assets, restricted net position, and unrestricted net position. Restricted net position is classified as expendable and is made up primarily of contracts, grants, and gifts. The following Condensed Statement of Net Position compares the current year information with the prior year, and indicates the increase or decrease between years.

### Condensed Statement of Net Position

	<u>June 30, 2023</u>	<u>June 30, 2022 (As Restated)</u>	<u>Change</u>
<b>Assets</b>			
Current Assets	\$ 4,531,576.58	\$ 4,802,492.73	\$ (270,916.15)
Noncurrent Capital Assets, Net	42,008,251.68	43,094,502.75	(1,086,251.07)
Other Noncurrent Assets	<u>16,453,798.10</u>	<u>14,784,837.65</u>	<u>1,668,960.45</u>
<b>Total Assets</b>	<u>62,993,626.36</u>	<u>62,681,833.13</u>	<u>311,793.23</u>
<b>Deferred Outflows</b>	<u>6,818,916.00</u>	<u>4,688,109.00</u>	<u>2,130,807.00</u>
<b>Liabilities</b>			
Current Liabilities	1,471,622.67	939,178.75	532,443.92
Long-Term Liabilities	<u>18,942,146.49</u>	<u>17,386,112.58</u>	<u>1,556,033.91</u>
<b>Total Liabilities</b>	<u>20,413,769.16</u>	<u>18,325,291.33</u>	<u>2,088,477.83</u>
<b>Deferred Inflows</b>	<u>4,662,428.00</u>	<u>6,453,663.00</u>	<u>(1,791,235.00)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	39,202,496.63	39,926,479.85	(723,983.22)
Restricted	17,483,111.62	16,389,936.78	1,093,174.84
Unrestricted	<u>(11,949,263.05)</u>	<u>(13,725,428.83)</u>	<u>1,776,165.78</u>
<b>Total Net Position</b>	<u>\$ 44,736,345.20</u>	<u>\$ 42,590,987.80</u>	<u>\$ 2,145,357.40</u>

Some highlights of the College's Statement of Net Position are listed below:

- Total assets were \$62,993,626.36 as of June 30, 2023. This is an overall increase of \$311,793.23 from the previous year. Noncurrent capital assets, net decreased by \$1,086,251.07 due to annual depreciation and amortization expenses exceeding current year capital asset additions. This was also the primary reason for net investment in capital assets decreasing \$723,983.22 along with a decrease in outstanding liabilities related to those capital assets. See the Capital Assets section below for more details. New for this fiscal year was the implementation of GASB Statement No. 96, requiring recognition of certain subscription-based information technology assets (SBITA) and liabilities for subscriptions that were previously classified as operating expenses. Prior year right-to-use subscription assets were restated at \$1,342,547.00 with current year amortization of \$78,013.00. Further information about SBITAs can be found in Note 8 of the Financial Statements. Other noncurrent assets increased by \$1,668,960.45 primarily due to the College being awarded a \$1,000,000.00 Golden LEAF Foundation grant to help with future purchases of equipment to support a new public safety training facility and burn village. This was also the main reason for restricted net position to increase \$1,093,174.84.
- The increase of \$2,130,807.00 in deferred outflows, the increase of long-term liabilities in the amount of \$1,556,033.91, and the decrease of \$1,791,235.00 of deferred inflows of resources resulted from current year changes in the actuarial assumptions related to the pension plan and other postemployment benefits plans (OPEB) that are administered by the State of North Carolina. See Notes 12 and 13 of the Financial Statements for more details. This was also the primary reason for unrestricted net position to increase \$1,776,165.78.

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

The Statement of Revenues, Expenses, and Changes in Net Position presents the activity of the College during the year and is subdivided into four major components: operating revenues, operating expenses, nonoperating revenues, and other revenues. Revenues are reported by major source.

### Condensed Statement of Revenues, Expenses, and Changes in Net Position Fiscal Years Ended June 30, 2023 and June 30, 2022

	2023	2022	Change
<b>Operating Revenues:</b>			
Student Tuition and Fees, Net	\$ 1,058,605.48	\$ 848,970.14	\$ 209,635.34
Sales and Services	751,700.50	662,128.01	89,572.49
Other Operating Revenues	117,242.11	126,050.27	(8,808.16)
<b>Total Operating Revenues</b>	<b>1,927,548.09</b>	<b>1,637,148.42</b>	<b>290,399.67</b>
<b>Operating Expenses:</b>			
Salaries and Benefits	13,777,089.50	12,977,287.25	799,802.25
Supplies and Services	5,502,125.98	5,092,023.90	410,102.08
Scholarships and Fellowships	2,031,809.32	2,615,154.02	(583,344.70)
Utilities	813,261.08	744,398.79	68,862.29
Depreciation/Amortization	1,653,215.44	1,581,213.62	72,001.82
<b>Total Operating Expenses</b>	<b>23,777,501.32</b>	<b>23,010,077.58</b>	<b>767,423.74</b>
<b>Operating Loss</b>	<b>(21,849,953.23)</b>	<b>(21,372,929.16)</b>	<b>(477,024.07)</b>
<b>Nonoperating Revenues:</b>			
State Aid	11,706,414.84	9,892,471.44	1,813,943.40
State Aid - Coronavirus	-	77,893.00	(77,893.00)
County Appropriations	4,398,585.00	4,088,054.00	310,531.00
Noncapital Contributions	5,237,316.53	9,019,381.68	(3,782,065.15)
Nonoperating Revenues	367,711.84	140,585.21	227,126.63
<b>Total Nonoperating Revenues</b>	<b>21,710,028.21</b>	<b>23,218,385.33</b>	<b>(1,508,357.12)</b>
Income/(Loss) Before Other Revenues	(139,925.02)	1,845,456.17	(1,985,381.19)
Capital Aid and Contributions	2,285,282.42	16,164,914.57	(13,879,632.15)
<b>Increase in Net Position</b>	<b>2,145,357.40</b>	<b>18,010,370.74</b>	<b>(15,865,013.34)</b>
<b>Net Position</b>			
Net Position - Beginning of Year	42,590,987.80	24,380,617.06	18,210,370.74
Restatement	-	200,000.00	(200,000.00)
<b>Net Position, End of Year</b>	<b>\$ 44,736,345.20</b>	<b>\$ 42,590,987.80</b>	<b>\$ 2,145,357.40</b>
<b>Reconciliation of Change in Net Position</b>			
Total Revenues	\$ 25,972,677.49	\$ 41,066,047.27	\$ (15,093,369.78)
Less: Total Expenses	23,827,320.09	23,055,676.53	771,643.56
<b>Increase in Net Position</b>	<b>\$ 2,145,357.40</b>	<b>\$ 18,010,370.74</b>	<b>\$ (15,865,013.34)</b>

## Operating and Nonoperating Revenues

- Student tuition and fees, net, increased \$209,635.34 primarily due to the overall increase in FTE over that of 2021-2022 fiscal year.

- State aid increased \$1,813,943.40 mainly due to increased funding appropriated by the State in the 2022-2023 fiscal year.
- Noncapital contributions decreased \$3,782,065.15 primarily due to a \$3,782,778.65 decrease in federal aid -COVID-19 with the ending of the pandemic and the expiration of Higher Education Emergency Relief Funds (HEERF).

### Other Revenues

Capital aid and contributions decreased \$13,879,632.15 mainly because in the prior fiscal year, the College received a State Capital Improvement Infrastructure Funds allocation for future capital projects of \$15,000,000.00, which it did not receive during the current fiscal year.

### Operating and Nonoperating Expenses

The College presents operating expenses by natural classification in the Statement of Revenues, Expenses, and Changes in Net Position. Salaries and benefits accounted for 58% of operating expenses, followed by supplies and services at 23%, scholarships and fellowships at 9%, depreciation at 7%, and utilities at 3%.

Total operating expenses increased by \$767,423.74 since the prior fiscal year. A large part of the increase was in salaries and benefits. Salaries and benefits increased \$799,802.25 due to approved salary and fringe benefit increases. Supplies and services increased \$410,102.08 mainly due to an increase in instructional supplies, minor medical equipment for the nursing program, classroom furnishings, and additional security cameras. Scholarships and fellowships decreased \$583,344.70 primarily due to the College no longer having HEERF funds available to award to students.

### Capital Assets

	June 30, 2023	June 30, 2022 (As Restated)	Change
Land	\$ 1,036,964.02	\$ 1,036,964.02	\$ -
Buildings, Net	33,613,624.67	34,637,654.43	(1,024,029.76)
Machinery and Equipment, Net	2,603,888.48	2,394,635.89	209,252.59
General Infrastructure, Net	3,438,513.51	3,590,800.41	(152,286.90)
Right-to-Use Leased Machinery and Equipment, Net	50,727.00	91,901.00	(41,174.00)
Right-to-Use Subscription Assets, Net	1,264,534.00	1,342,547.00	(78,013.00)
Totals	<u>\$ 42,008,251.68</u>	<u>\$ 43,094,502.75</u>	<u>\$ (1,086,251.07)</u>

At June 30, 2023 the College reported \$64,333,131.71 invested in depreciable capital assets less \$23,361,844.05 in accumulated depreciation and amortization, for net depreciable capital assets of \$40,971,287.66, and \$1,036,964.02 in nondepreciable capital assets.

The net decrease in capital assets of \$1,086,251.07 is primarily the result of one additional year of accumulated depreciation and amortization. See more details in Note 5 of the Financial Statements.

### **Economic Outlook and Next Year's Budget**

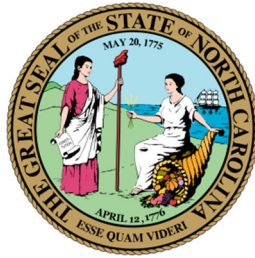
The College has two major satellite locations. One, the Leland Center located in the Leland Industrial Park, provides education and skill enhancement opportunities for new, expanding, and existing businesses in the Cape Fear region to promote future growth through educating the area's workforce. The second location, the Southport Center, provides studio-based courses in the arts and crafts for lifelong learners, small business owners, and aspiring entrepreneurs. It provides a home to an expanding community of creative artisans, reflecting the role of the arts, entertainment, and tourism in the economic and community development of Brunswick County.

There are further opportunities for the College, economic and population growth aside. The College's enrollment was up almost 12% (for the overall FTE increase of 209.) The institution will continue to focus recruiting efforts on some key demographics. The latest available data show that 53% of college going graduates in the county are going to public two-year colleges. High school graduates in Brunswick County public schools may grow by as much as 30% in the next four years. Most recent data also indicated 52% of county residents between the ages of 25-44 do not have a college degree and only 32% of high school graduates are participating in Career and College Promise.

Brunswick County continues to support the College. For fiscal year 2024, the College received an unprecedented 19.4% increase in its county operating and capital budget. That amounts to an additional \$906,664.00 in funding bringing the institution's county budget to \$5,565,700. The College's North Carolina state funding increased \$1,430,484.00 when comparing the "Total Allocations" amount in fiscal year 2024's initial allocation letter to fiscal year 2023's initial allocation letter. The increased support from the State is a result of the enrollment growth that the College has seen.

### **Request for Information**

This financial report is designed to provide a general overview of the College's finances for all interested parties. Questions concerning any of this information should be addressed to Bill Allen, Vice President for Budget and Finance/CFO, for Brunswick Community College, PO Box 30, Supply, NC 28462 or call (910) 755-7312.



# Financial Statements

**Brunswick Community College**  
**Statement of Net Position**  
**June 30, 2023**

**Exhibit A-1**  
**Page 1 of 2**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 2,385,374.41
Restricted Cash and Cash Equivalents	1,479,301.54
Receivables, Net (Note 4)	600,563.75
Inventories	65,936.88
Notes Receivable	400.00
Total Current Assets	<u>4,531,576.58</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	15,235,278.10
Restricted Due from Primary Government	18,520.00
Restricted Due from State of North Carolina Component Unit	1,200,000.00
Capital Assets - Nondepreciable (Note 5)	1,036,964.02
Capital Assets - Depreciable, Net (Note 5)	<u>40,971,287.66</u>
Total Noncurrent Assets	<u>58,462,049.78</u>
Total Assets	<u>62,993,626.36</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to Pensions	4,528,140.00
Deferred Outflows Related to Other Postemployment Benefits (Note 13)	<u>2,290,776.00</u>
Total Deferred Outflows of Resources	<u>6,818,916.00</u>

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	494,750.75
Unearned Revenue	495,361.33
Long-Term Liabilities - Current Portion (Note 7)	<u>481,510.59</u>
Total Current Liabilities	<u>1,471,622.67</u>

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	<u>18,942,146.49</u>
Total Liabilities	<u>20,413,769.16</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pensions	93,059.00
Deferred Inflows Related to Other Postemployment Benefits (Note 13)	<u>4,569,369.00</u>
Total Deferred Inflows of Resources	<u>4,662,428.00</u>



***Brunswick Community College  
Statement of Net Position  
June 30, 2023***

***Exhibit A-1  
Page 2 of 2***

**NET POSITION**

Net Investment in Capital Assets	39,202,496.63
Restricted:	
Expendable:	
Student Financial Aid	561,264.68
Restricted for Specific Programs	753,142.78
Capital Projects	16,078,849.92
Other	<u>89,854.24</u>
Total Restricted-Expendable Net Position	<u>17,483,111.62</u>
Unrestricted	<u>(11,949,263.05)</u>
Total Net Position	<u><u>\$ 44,736,345.20</u></u>

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

***Brunswick Community College  
Statement of Revenues, Expenses, and  
Changes in Net Position  
For the Fiscal Year Ended June 30, 2023***

***Exhibit A-2***

**OPERATING REVENUES**

Student Tuition and Fees, Net (Note 10)	\$ 1,058,605.48
Sales and Services	751,700.50
Other Operating Revenues	<u>117,242.11</u>
Total Operating Revenues	<u>1,927,548.09</u>

**OPERATING EXPENSES**

Salaries and Benefits	13,777,089.50
Supplies and Services	5,502,125.98
Scholarships and Fellowships	2,031,809.32
Utilities	813,261.08
Depreciation/Amortization	<u>1,653,215.44</u>
Total Operating Expenses	<u>23,777,501.32</u>
Operating Loss	<u>(21,849,953.23)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Aid	11,706,414.84
County Appropriations	4,398,585.00
Student Financial Aid	3,648,192.26
Federal Aid - COVID-19	167,184.89
Noncapital Contributions	1,421,939.38
Investment Income	192,065.94
Interest and Fees on Debt	(49,818.77)
Other Nonoperating Revenues	<u>225,464.67</u>
Net Nonoperating Revenues	<u>21,710,028.21</u>
Loss Before Other Revenues	<u>(139,925.02)</u>
State Capital Aid	482,448.84
County Capital Aid	260,450.00
Capital Contributions	<u>1,542,383.58</u>
Total Other Revenues	<u>2,285,282.42</u>
Increase in Net Position	2,145,357.40

**NET POSITION**

Net Position - July 1, 2022, as Restated (Note 16)	<u>42,590,987.80</u>
Net Position - June 30, 2023	<u>\$ 44,736,345.20</u>

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

**Brunswick Community College**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2023**

**Exhibit A-3**  
**Page 1 of 2**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 1,726,432.23
Payments to Employees and Fringe Benefits	(15,525,135.77)
Payments to Vendors and Suppliers	(6,364,208.25)
Payments for Scholarships and Fellowships	(2,031,809.32)
Other Receipts	225,464.67
	<hr/>
Net Cash Used by Operating Activities	(21,969,256.44)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid	11,706,414.84
County Appropriations	4,398,585.00
Student Financial Aid	3,648,192.26
Federal Aid - COVID-19	167,184.89
Noncapital Contributions	1,514,068.83
	<hr/>
Total Cash Provided by Noncapital Financing Activities	21,434,445.82

**CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES**

State Capital Aid	488,612.84
County Capital Aid	660,450.00
Capital Contributions	841,888.15
Acquisition and Construction of Capital Assets	(566,964.37)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(362,267.85)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(49,818.77)
	<hr/>
Net Cash Provided by Capital Financing and Related Financing Activities	1,011,900.00

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	192,065.94
	<hr/>
Cash Provided by Investing Activities	192,065.94
	<hr/>
Net Increase in Cash and Cash Equivalents	669,155.32
	<hr/>
Cash and Cash Equivalents - July 1, 2022	18,430,798.73
	<hr/>
Cash and Cash Equivalents - June 30, 2023	\$ 19,099,954.05

**Brunswick Community College**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2023**

**Exhibit A-3**  
**Page 2 of 2**

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

Operating Loss	\$ (21,849,953.23)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	1,653,215.44
Other Nonoperating Income	225,464.67
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(191,002.72)
Inventories	(12,516.28)
Net Other Postemployment Benefits Asset	6,507.00
Deferred Outflows Related to Pensions	(2,024,446.00)
Deferred Outflows Related to Other Postemployment Benefits	(106,361.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	34,252.57
Unearned Revenue	(4,568.14)
Net Pension Liability	4,674,369.00
Net Other Postemployment Benefits Liability	(2,480,081.00)
Compensated Absences	(102,901.75)
Deferred Inflows Related to Pensions	(2,623,507.00)
Deferred Inflows Related to Other Postemployment Benefits	832,272.00
Net Cash Used by Operating Activities	<u>\$ (21,969,256.44)</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Increase in Receivables Related to Other Revenues	\$ 700,495.43
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(70,325.00)

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

**Brunswick Community College Foundation, Inc.**  
**Statement of Financial Position**  
**June 30, 2023**

**Exhibit B-1**

		With Donor Restrictions		
	Without Donor Restrictions	Purpose or Time Restricted	Perpetual in Nature	Total
ASSETS				
Cash and Cash Equivalents	\$ 303,449	\$ 554,512	\$ -	\$ 857,961
Investments	121,962	538,030	5,140,411	5,800,403
Total Assets	<u>\$ 425,411</u>	<u>\$ 1,092,542</u>	<u>\$ 5,140,411</u>	<u>\$ 6,658,364</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	<u>\$ 8,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,137</u>
Net Assets				
Without Donor Restrictions	295,312	-	-	295,312
Board-Designated	121,962	-	174,061	296,023
With Donor Restrictions	<u>-</u>	<u>1,092,542</u>	<u>4,966,350</u>	<u>6,058,892</u>
Total Net Assets	<u>417,274</u>	<u>1,092,542</u>	<u>5,140,411</u>	<u>6,650,227</u>
Total Liabilities and Net Assets	<u>\$ 425,411</u>	<u>\$ 1,092,542</u>	<u>\$ 5,140,411</u>	<u>\$ 6,658,364</u>

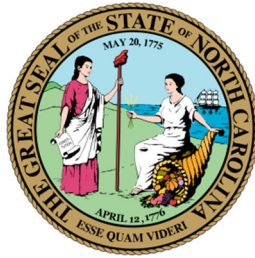
The accompanying notes to the financial statements are an integral part of this statement.

**Brunswick Community College Foundation, Inc.**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2023**

**Exhibit B-2**

		With Donor Restrictions		
	Without Donor Restrictions	Purpose or Time Restricted	Perpetual in Nature	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 68,665	\$ 475,018	\$ 93,809	\$ 637,492
Brunswick Guarantee	-	276,401	-	276,401
In-Kind Donations	253,420	-	-	253,420
Interest, Dividends, and Other Realized Gains	1,733	199,698	-	201,431
Unrealized Gain on Investments	-	148,157	-	148,157
Net Assets Released From Restriction	900,838	(900,838)	-	-
Total Support and Revenue	1,224,656	198,436	93,809	1,516,901
<b>EXPENSES AND LOSSES</b>				
Program - Scholarship	545,183	-	-	545,183
Program - Direct and Other	312,872	-	-	312,872
Program - Non-Cash	190,080	-	-	190,080
Administrative	59,174	-	-	59,174
Fundraising	12,808	-	-	12,808
Total Expenses	1,120,117	-	-	1,120,117
Change in Net Assets	104,539	198,436	93,809	396,784
<b>NET ASSETS</b>				
Net Assets, Beginning	312,735	894,106	5,046,602	6,253,443
Net Assets, Ending	\$ 417,274	\$ 1,092,542	\$ 5,140,411	\$ 6,650,227

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. Brunswick 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** - Brunswick Community College Foundation, Inc. (Foundation) is a legally separate, nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 19 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2023, the Foundation distributed \$714,057.70 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the College's Foundation Office, Brunswick Community College, 50 College Road, Bolivia, NC 28422 or by calling 910-755-6530.

- 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 and merchandise for resale, are valued at last invoice cost using the first-in, first-out 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.

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

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

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

Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease liabilities are capitalized as a right-to-use asset when the underlying leased asset has a cost of \$10,000 or greater and an estimated useful life of more than one year. Subscription

liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of \$100,000 or greater and an estimated useful life of more than one year.

Amortization for right-to-use leased and subscription assets is computed using the straight-line method over the shorter of the lease/subscription term or the underlying asset's estimated useful life. If a lease agreement contains a purchase option the College is reasonably certain will be exercised, 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 principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes notes from direct borrowings. Other long-term liabilities include: lease liabilities, subscription liabilities, 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 2022 *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 2022 *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 and Disability Income Plan of North Carolina. 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**

**College** - The College is required by North Carolina General Statute 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with North Carolina General Statute 115D-58.7. Official depositories may be established with any bank, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling \$930.00, and deposits in private financial institutions with a carrying value of \$19,099,024.05 and a bank balance of \$19,262,141.48.

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, 2023, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

**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:

Investments	Amount
Cash Investments	\$ 158,630
Money Market Funds	1,046,240
Fixed Income	2,245,135
Equity Investments	1,565,051
Exchange Traded Funds	730,731
Cash Value Life Insurance Policy	54,616
<b>Total Investments</b>	<b>\$ 5,800,403</b>

### Note 3 - Fair Value Measurements

**Component Unit** - The Foundation reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by U.S. GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1	Quoted prices for identical assets or liabilities in active markets to which the Foundation has access at the measurement date.
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for many of the assets and liabilities that the Foundation is required to measure at fair value (for example, unconditional promises to give and in-kind donations).

The primary use of fair value measures in the Foundation's financial statements is initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give. Fair value of assets measured on a recurring basis are as follows as of June 30, 2023:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	No Market Data (Level 3)
Cash Investments	\$ 158,630	\$ 158,630	\$ -	\$ -
Money Market Funds	1,046,240	1,046,240	-	-
Fixed Income	2,245,135	2,245,135	-	-
Equity Investments	1,565,051	1,565,051	-	-
Exchange Traded Funds	730,731	730,731	-	-
Cash Value Life Insurance Policy	54,616	-	-	54,616
	<u>\$ 5,800,403</u>	<u>\$ 5,745,786</u>	<u>\$ -</u>	<u>\$ 54,616</u>

#### Note 4 - Receivables

Receivables at June 30, 2023, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Receivables:</b>			
Students	\$ 1,239,542.97	\$ 851,371.16	\$ 388,171.81
Student Sponsors	57,090.34	35,473.80	21,616.54
Intergovernmental	190,775.40	-	190,775.40
<b>Total Receivables</b>	<u>\$ 1,487,408.71</u>	<u>\$ 886,844.96</u>	<u>\$ 600,563.75</u>

## Note 5 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2023, is presented as follows:

	Balance July 1, 2022 (as Restated)	Increases	Decreases	Balance June 30, 2023
Capital Assets, Nondepreciable:				
Land	\$ 1,036,964.02	\$ -	\$ -	\$ 1,036,964.02
<b>Total Capital Assets, Nondepreciable</b>	<b>1,036,964.02</b>	<b>-</b>	<b>-</b>	<b>1,036,964.02</b>
Capital Assets, Depreciable:				
Buildings	52,183,606.69	-	-	52,183,606.69
Machinery and Equipment	4,819,440.21	490,970.62	-	5,310,410.83
General Infrastructure	5,287,855.44	75,993.75	-	5,363,849.19
Right-to-Use Leased Machinery and Equipment	132,718.00	-	-	132,718.00
Right-to-Use Subscription Assets	1,342,547.00	-	-	1,342,547.00
<b>Total Capital Assets, Depreciable</b>	<b>63,766,167.34</b>	<b>566,964.37</b>	<b>-</b>	<b>64,333,131.71</b>
Less Accumulated Depreciation/Amortization for:				
Buildings	17,545,952.26	1,024,029.76	-	18,569,982.02
Machinery and Equipment	2,424,804.32	281,718.03	-	2,706,522.35
General Infrastructure	1,697,055.03	228,280.65	-	1,925,335.68
Right-to-Use Leased Machinery and Equipment	40,817.00	41,174.00	-	81,991.00
Right-to-Use Subscription Assets	-	78,013.00	-	78,013.00
<b>Total Accumulated Depreciation/Amortization</b>	<b>21,708,628.61</b>	<b>1,653,215.44</b>	<b>-</b>	<b>23,361,844.05</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>42,057,538.73</b>	<b>(1,086,251.07)</b>	<b>-</b>	<b>40,971,287.66</b>
<b>Capital Assets, Net</b>	<b>\$ 43,094,502.75</b>	<b>\$ (1,086,251.07)</b>	<b>\$ -</b>	<b>\$ 42,008,251.68</b>

As of June 30, 2023, the total amount of right-to-use leased and subscription assets was \$132,718.00 and \$1,342,547.00, and the related accumulated amortization was \$81,991.00 and \$78,013.00, respectively.

## Note 6 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2023, were as follows:

	Amount
<b>Accounts Payable and Accrued Liabilities:</b>	
Accounts Payable	\$ 160,426.98
Accrued Payroll	334,323.77
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 494,750.75</b>



**Note 7 - Long-Term Liabilities****A. Changes in Long-Term Liabilities** - A summary of changes in the long-term liabilities for the year ended June 30, 2023, is presented as follows:

	Balance July 1, 2022 (as Restated)	Additions	Reductions	Balance June 30, 2023	Current Portion
Long-Term Debt					
Notes from Direct Borrowings	\$ 1,733,574.90	\$ -	\$ 243,080.85	\$ 1,490,494.05	\$ 170,180.67
Other Long-Term Liabilities					
Leases Payable	91,901.00	-	41,174.00	50,727.00	41,174.00
Subscription (SBITA) Liabilities	1,342,547.00	-	78,013.00	1,264,534.00	143,844.00
Compensated Absences	629,420.78	38,354.22	141,255.97	526,519.03	126,311.92
Net Pension Liability	2,153,060.00	4,674,369.00	-	6,827,429.00	-
Net Other Postemployment Benefits Liability	11,814,360.00	-	2,550,406.00	9,263,954.00	-
Total Other Long-Term Liabilities	16,031,288.78	4,712,723.22	2,810,848.97	17,933,163.03	311,329.92
<b>Total Long-Term Liabilities</b>	<b>\$ 17,764,863.68</b>	<b>\$ 4,712,723.22</b>	<b>\$ 3,053,929.82</b>	<b>\$ 19,423,657.08</b>	<b>\$ 481,510.59</b>

Additional information regarding lease and subscription (SBITA) liabilities 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.

**B. Notes from Direct Borrowings** - The College was indebted for notes from direct borrowings for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2023
Energy Savings Performance Contract	Bank of America Leasing	2.65%	09/26/2031	\$ 2,420,198.00	\$ 1,480,988.00
John Deere Mower	John Deere Financial	3.75%	06/30/2025	37,348.80	9,506.05
<b>Total Notes from Direct Borrowings</b>				<b>\$ 2,457,546.80</b>	<b>\$ 1,490,494.05</b>

The annual requirements to pay principal and interest on notes from direct borrowings at June 30, 2023, are as follows:

Fiscal Year	Principal	Interest
2024	\$ 170,180.67	\$ 37,666.05
2025	164,741.41	32,996.34
2026	168,911.91	28,580.31
2027	173,191.85	24,052.36
2028	182,426.66	19,367.08
2029-2032	631,041.55	28,241.36
<b>Total Requirements</b>	<b>\$ 1,490,494.05</b>	<b>\$ 170,903.50</b>

**C. Terms of Debt Agreements** - The Colleges' debt agreements are subject to the following collateral requirements and terms with finance-related consequences:



**Notes from Direct Borrowings** - On January 26, 2016, the College ("Purchaser") entered into an Equipment Installation Financing Agreement with Bank of America, National Association ("Lender"), to finance the purchase of energy conservation measures pursuant to Section 115D-58.15 and Part 2 of Article 3B of Chapter 143 of the North Carolina General Statutes. The purpose of the contract was to finance the purchase and installation of equipment utilized in connection with Energy Cost Savings Measures. The equipment was installed in multiple facilities located on the main campus, and the Purchaser granted a security interest in the equipment for the benefit of the lender.

At the same time, the College also entered into an Energy Savings Agreement with Trane U.S. Inc. for the purpose of providing certain energy conservation measures, consisting of services, systems, and facilities designed to reduce energy consumption and costs in buildings owned and operated by the College. Trane U.S. Inc. guaranteed energy savings for the work from the date of the Certification of Final Acceptance and for fifteen (15) years following such date (the Guaranty Period).

The financing contract calls for repayment by monthly installments for 15 years, beginning October 26, 2016, with the final payment on September 26, 2031. In the event of default by the Purchaser, the Lender may take one or any combination of the following remedial steps:

- a) By written notice to the Purchaser, Lender may declare all installment payments payable by the Purchaser pursuant to the Agreement and other amounts payable by Purchaser hereunder to the end of the term to be due;
- b) Lender may enter the premises where the equipment listed in the Agreement is located and take possession of such equipment and sell or lease such equipment for the account of the Purchaser, continuing to hold Purchaser liable, but solely from legal available funds, for the difference between (i) the installments payments payable by Purchaser pursuant to the Agreement and other amounts related to the Agreement or the equipment that are payable by the Purchaser, and (ii) the net proceeds of any such sale or leasing (after deducting all expenses of Lender in exercising its remedies, hereunder, including without limitation all expenses of taking possession, storing, reconditioning and selling or leasing such equipment and all brokerage, auctioneer's and attorney's fees), subject, however, to the provisions of Section 3.03 of the Agreement. The exercise of any such remedies respecting any such event of default shall not relieve Purchaser of any other liabilities hereunder or equipment listed; therein
- c) Lender may terminate the Escrow Agreement and apply any proceeds in the escrow account to the installment payments due hereunder;
- d) Proceeds by appropriate court action to enforce performance by Purchaser of the applicable covenants of the agreement or to recover from the breach thereof; provided, however, that nothing herein shall be deemed to allow any judgement for a deficiency or waive any provision of N.C.G.S. 115D-58.15 or any defense the Purchaser may otherwise have;
- e) Exercise all rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State of North Carolina and the general laws of the State of North Carolina with respect to the enforcement of the security interest granted or

reserved hereunder, including, without limitation, to the extent permitted by law, take possession of any premises and sell, lease, sublease or make other disposition of the same in a commercially reasonable manner for the account of Purchaser, and apply the proceeds of any such sale, lease, sublease or other disposition, after deducting all costs and expenses, including court costs and attorney's fees, incurred with the recovery, repair, storage and other sale, lease, sublease or other disposition costs, toward the balance due under the Agreement, and thereafter, shall pay any remaining proceeds to Purchaser;

- f) Require Purchaser to deliver the equipment, at Purchaser's sole expense, to any location within the State of North Carolina designated by Lender, and take possession of any proceeds of the equipment, including net proceeds; or
- g) Lender may take whatever action at law or in equity may appear necessary or desirable to enforce its rights under the Agreement or the Escrow Agreement or as a secured party in any or all of the equipment or the escrow account.

On June 30, 2021, the College ("Purchaser") entered into a finance agreement ("Agreement") with John Deere Financial ("Lender") to finance a commercial grade lawn mower. Financing terms call for repayment by yearly installments for five years beginning June 30, 2021, with final payment on June 30, 2025.

Lender may, in its sole discretion and without notice, exercise one or more of the following remedies without any presentment, demand or protest:

- a) Recover from Purchaser, as liquidated damages for loss of bargain and not as a penalty, the principal balance as of the date of such default;
- b) Declare any other agreements between the Purchaser and Lender (or any of the Lender's affiliates) in default;
- c) Terminate any of the Purchaser rights (but none of the Purchaser obligations) under the Agreement and any other agreement between the Purchaser and Lender (or any of the Lender's affiliates);
- d) Require the Purchaser to return the Equipment in the manner outlined in Section 8, or take possession of the Equipment;
- e) Lease or sell the Equipment or any portion thereof at a public or private sale;
- f) Apply the net proceeds the Lender receives from any sale, lease or other disposition of the Equipment (after deducting all of the Lender's costs and expenses) to the Purchaser's obligations under the Agreement, with the Purchaser remaining liable for any deficiency;
- g) Charge the Purchaser for expenses incurred in connection with the enforcement of the Purchaser's remedies including, without limitation, repossession, repair and collections costs, attorney's fees and court costs;

- h) Exercise any other remedy available at law or in equity; and if the Purchaser is in default of subsection (d) of Section 5 above the Termination Value as of the date of such default;
- i) Take on the Purchaser's behalf (at the Purchaser's expense) any action required by this Agreement which the Purchaser fails to take. These remedies are cumulative, are in addition to any other remedies provided by law and may be exercised concurrently or separately. Any failure or delay by the Lender to exercise any right shall not operate as a waiver of any other right or future right.

## Note 8 - Leases and Subscription-Based Information Technology Arrangements

**A. Lessee Arrangements** - The College has lease agreements for the right to use equipment from external parties. The leases expire at various dates, and some have renewal options. Lease liabilities and 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 underlying right-to-use asset into service. The expected payments are discounted using the interest rate stated per the lease contract, or the College's estimated incremental borrowing rate if there is no stated contractual interest rate.

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

The College had commitments under leases before the lease term as follows: a five-year lease agreement for the right-to-use printers beginning July 1, 2021, with total payments over the period of \$133,075.00.

The College's lessee arrangements at June 30, 2023, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2023	Current Portion	Lease Terms <sup>(1)</sup>	Interest Rate
Lessee:					
Right-to-Use Leased Machinery and Equipment	3	\$ 50,727.00	\$ 41,174.00	1 - 3.1 Years	3.25%

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

**B. Subscription-Based Information Technology Arrangements (SBITAs)** - The College enters SBITAs for the right to use information technology software and cloud computing arrangement (network) assets from external parties. The SBITAs expire at various dates, and some have renewal options. Subscription liabilities and the related right-to-use subscription assets are recorded based on the present value of expected payments over the term of the respective SBITA. The expected payments are discounted using the interest rate stated per the SBITA contract, or the College's estimated incremental borrowing rate if there is no stated contractual interest rate.

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

The College's SBITAs at June 30, 2023, are summarized below (excluding short-term SBITAs):

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2023	Current Portion	SBITA Terms and Conditions	Interest Rate
Right-to-Use Subscription Assets	4	\$ 1,264,534.00	\$ 143,844.00	1-10 years	4.85%

**C. Annual Requirements** - The annual requirements to pay principal and interest on leases and SBITAs at June 30, 2023, are as follows:

Fiscal Year	Annual Requirements			
	Lease Liabilities		Subscription (SBITA) Liabilities	
	Principal	Interest	Principal	Interest
2024	\$ 41,174.00	\$ 1,338.16	\$ 143,844.00	\$ 12,511.00
2025	4,660.00	151.45	136,922.00	11,135.00
2026	4,537.00	147.45	135,501.00	9,747.00
2027	356.00	11.57	134,098.00	8,343.00
2028	-	-	132,707.00	6,924.00
2029-2033	-	-	581,462.00	12,669.88
<b>Total Requirements</b>	<b>\$ 50,727.00</b>	<b>\$ 1,648.63</b>	<b>\$ 1,264,534.00</b>	<b>\$ 61,329.88</b>

## 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:

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (2,392,348.00)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(11,542,547.00)
Effect on Unrestricted Net Position	(13,934,895.00)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	1,985,631.95
<b>Total Unrestricted Net Position</b>	<b>\$ (11,949,263.05)</b>

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:

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	\$3,702,140.50	\$1,756,690.06	\$886,844.96	\$1,058,605.48

## 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	\$ 8,049,465.78	\$ 1,927,599.90	\$ -	\$ -	\$ -	\$ 9,977,065.68
Academic Support	1,518,173.73	118,882.19	-	-	-	1,637,055.92
Student Services	1,080,716.69	384,547.27	-	-	-	1,465,263.96
Institutional Support	1,253,678.62	1,470,741.78	-	-	-	2,724,420.40
Operations and Maintenance of Plant	1,258,015.99	1,214,671.73	-	813,261.08	-	3,285,948.80
Student Financial Aid	56,686.37	500.00	2,031,809.32	-	-	2,088,995.69
Auxiliary Enterprises	560,352.32	385,183.11	-	-	-	945,535.43
Depreciation/Amortization	-	-	-	-	1,653,215.44	1,653,215.44
<b>Total Operating Expenses</b>	<b>\$ 13,777,089.50</b>	<b>\$ 5,502,125.98</b>	<b>\$ 2,031,809.32</b>	<b>\$ 813,261.08</b>	<b>\$ 1,653,215.44</b>	<b>\$ 23,777,501.32</b>

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 \$55,906.70 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 in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. 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, 2023 was 17.38% of covered payroll. Plan members' contributions to the pension plan were \$525,647.42, and the College's contributions were \$1,522,625.36 for the year ended June 30, 2023.

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 2022 *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, 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 2022 *Annual Comprehensive Financial Report*.

*Net Pension Liability:* At June 30, 2023, the College reported a liability of \$6,827,429.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total pension liability to June 30, 2022. 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, 2022, the College's proportion was 0.04600%, which was an increase of 0.00002 from its proportion measured as of June 30, 2021, which was 0.04598%.

*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	12/31/2021
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, 2021 valuation 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, 2022 (the measurement date) are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	1.1%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	7.5%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, 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 2.25%. 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, 2022 is 0.78%.

**Discount Rate:** The discount rate used to measure the total pension liability was 6.5% for the December 31, 2021 valuation. The 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, 2022 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:

<b>Net Pension Liability</b>		
<b>1% Decrease (5.5%)</b>	<b>Current Discount Rate (6.5%)</b>	<b>1% Increase (7.5%)</b>
\$ 6,895,703.29	\$ 6,827,429.00	\$ 6,759,154.71



*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* For the year ended June 30, 2023, the College recognized pension expense of \$1,554,586.00. At June 30, 2023, 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	\$ 29,727.00	\$ 93,059.00
Changes of Assumptions	538,658.00	-
Net Difference Between Projected and Actual Earnings on Plan Investments	2,229,332.00	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	207,797.64	-
Contributions Subsequent to the Measurement Date	1,522,625.36	-
<b>Total</b>	<b>\$ 4,528,140.00</b>	<b>\$ 93,059.00</b>

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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

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

Year Ending June 30:	Amount
2024	\$ 840,237.00
2025	749,927.00
2026	260,419.00
2027	1,061,872.64
<b>Total</b>	<b>\$ 2,912,455.64</b>

**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 2022 *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 benefit 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 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 2022 *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 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 the 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 (CJRS), the Legislative Retirement System (LRS), 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 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 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the TSERS (or in an allowed local system unit), CJRS, or LRS 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 Act. The College's contractually-required contribution rate for the year ended June 30, 2023 was 6.89%

of covered payroll. The College's contributions to the RHBF were \$603,618.45 for the year ended June 30, 2023.

In fiscal year 2021, 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 the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2023, the College recognized noncapital contributions for RHBF of \$70,325.00.

## 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 State's 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, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. 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 becoming disabled 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. A general 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; (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, by an amount equal to the

monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, 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, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security benefits.

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

*Contributions:* Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act 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, 2023 was 0.10% of covered payroll. The College's contributions to DIPNC were \$8,760.79 for the year ended June 30, 2023.

### C. Net OPEB Liability

*Retiree Health Benefit Fund:* At June 30, 2023, the College reported a liability of \$9,252,248.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. 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, 2022, the College's proportion was 0.03896%, which was an increase of 0.00074 from its proportion measured as of June 30, 2021, which was 0.03822%.

*Disability Income Plan of North Carolina:* At June 30, 2023, the College reported a liability of \$11,706.00 for its proportionate share of the collective net OPEB liability for DIPNC. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. 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, 2022, the College's proportion was 0.03935%, which was a decrease of 0.00049 from its proportion measured as of June 30, 2021, which was 0.03984%.

**Actuarial Assumptions:** The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2021, 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, 2022 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2021	12/31/2021
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
Healthcare Cost Trend Rate - Medical***	6% grading down to 5% by 2027	N/A
Healthcare Cost Trend Rate - Prescription Drug***	9.5% grading down to 5% by 2031	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	0% through 2025, 5% thereafter	N/A
Healthcare Cost Trend Rate - Administrative***	3%	N/A

\* Salary increases include 3.25% inflation and productivity factor.

\*\* Investment rate of return is net of OPEB plan investment expense, including inflation.

\*\*\* Disability Income Plan of NC eliminated employer reimbursements from the Plan (which included State Health Plan premiums) effective July 1, 2019.

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, other educational employee, general employee, or 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 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, 2022.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2022 (the measurement date) are summarized in the following table:



Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.1%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	7.5%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, 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 2.25%. 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, 2022 is 0.78%.

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 the 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 above, 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. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of the State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for the benefits that were effective on or after July 1, 2019.

The actuarial assumptions used in the December 31, 2021 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 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 3.54% at June 30, 2022 compared to 2.16% at June 30, 2021. The projection of cash flow 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 3.54% was used as the discount rate used to measure the total OPEB liability. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

The discount rate used to measure the total OPEB liability for DIPNC was 3.08% at June 30, 2022 compared to 3.0% at June 30, 2021. The projection of cash flow 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 not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.08%, 3.0% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.54% was used during the period that the plan was projected to have no fiduciary net position. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:** The following presents the College's proportionate share of the net OPEB liability of the plans, as well as what the plans' net OPEB liability 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		
	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
RHBF	\$ 9,344,770.48	\$ 9,252,248.00	\$ 9,159,725.52
	1% Decrease (2.08%)	Current Discount Rate (3.08%)	1% Increase (4.08%)
DIPNC	\$ 11,823.06	\$ 11,706.00	\$ 11,588.94

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:** The following presents the net OPEB liability of the plans, as well as what the plans' net OPEB liability 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				
	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Med. Advantage - 0% - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Med. Advantage - 0% - 5%, Administrative - 3%)		1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Med. Advantage - 0% - 6%, Administrative - 4%)
RHBF	\$ 9,344,770.48	\$ 9,252,248.00	\$	9,159,725.52

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities occurring on or after July 1, 2019. Thus sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

**OPEB Expense:** For the fiscal year ended June 30, 2023, the College recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	\$ (1,154,167.00)
DIPNC	17,414.00
<b>Total OPEB Expense</b>	<b>\$ (1,136,753.00)</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:** At June 30, 2023, 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	\$ 89,827.00	\$ 13,121.00	\$ 102,948.00
Changes of Assumptions	740,763.00	752.00	741,515.00
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	80,120.00	12,381.00	92,501.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	737,987.55	3,445.21	741,432.76
Contributions Subsequent to the Measurement Date	603,618.45	8,760.79	612,379.24
<b>Total</b>	<b>\$ 2,252,316.00</b>	<b>\$ 38,460.00</b>	<b>\$ 2,290,776.00</b>

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 25,602.00	\$ -	\$ 25,602.00
Changes of Assumptions	4,210,916.00	2,169.00	4,213,085.00
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	853.00	853.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	329,829.00	-	329,829.00
<b>Total</b>	<b>\$ 4,566,347.00</b>	<b>\$ 3,022.00</b>	<b>\$ 4,569,369.00</b>

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as reductions of the net OPEB liabilities related to RHBF and DIPNC in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

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

Year Ending June 30:	RHBF	DIPNC
2024	\$ (1,100,668.00)	\$ 6,953.00
2025	(693,710.00)	7,802.00
2026	(790,934.00)	5,363.00
2027	(332,337.45)	4,230.00
2028	-	1,184.00
Thereafter	-	1,145.21
<b>Total</b>	<b>\$ (2,917,649.45)</b>	<b>\$ 26,677.21</b>

**Note 14 - Risk Management**

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

**A. Public Entity Risk Pool**

**State Public Education Property Insurance Fund**

Fire and other property losses are covered by the State Public Education Property Insurance Fund (Fund), a state-administered public entity risk pool. The Fund is financed by premiums and interest collected through membership participation and retains a

\$10,000,000 deductible per occurrence. Reinsurance is purchased by the Fund to cover catastrophic events in excess of the \$10,000,000 deductible. Membership insured property is covered under an all risk coverage contract. Each member selects the deductible that will be applicable to their losses, and this deductible ranges from \$1,000 to \$5,000. Building and contents are valued under a replacement cost basis. No coinsurance penalties apply. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

### **B. Employee Benefit Plans**

#### **1. State Health Plan**

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

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

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

#### **3. Disability Income Plan**

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

### **C. Other Risk Management and Insurance Activities**

#### **1. Automobile Insurance**

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

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

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

## 3. Employee Dishonesty and Computer Fraud

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

## 4. Statewide Workers' Compensation Program

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

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

## 5. Other Insurance Held by the College

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. The College maintains healthcare practitioner's/services professional liability insurance for the EMT program in the amount of \$1,000,000 per occurrence with a \$3,000,000 aggregate limit. The College maintains commercial liability coverage for the nursing program in the amount of \$1,000,000 per occurrence with a \$3,000,000 aggregate limit.

## Note 15 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2023, the College implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

*GASB Statement No. 96, Subscription-Based Information Technology Arrangements*

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement

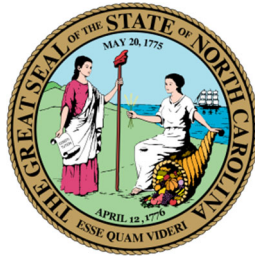
(1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITAs.

### Note 16 - Net Position Restatement

As of July 1, 2022, net position as previously reported was restated as follows:

	Amount
July 1, 2022 Net Position as Previously Reported	\$ 42,390,987.80
Restatement	
Correction of Error Not Recording a Golden LEAF Foundation Grant	200,000.00
<b>July 1, 2022 Net Position as Restated</b>	<b>\$ 42,590,987.80</b>

In addition, as of July 1, 2022, the College implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Net position was not restated due to the implementation; however, assets and liabilities were restated as a result of the implementation. See Note 5 and Note 7 for details on the restated balances related to capital assets and subscription liabilities, respectively.



# Required Supplementary Information

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

**Exhibit C-1**

<b>Teachers' and State Employees' Retirement System</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Proportionate Share Percentage of Collective Net Pension Liability	0.04600%	0.04598%	0.04431%	0.04371%	0.04433%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 6,827,429.00	\$ 2,153,060.00	\$ 5,353,533.00	\$ 4,531,397.00	\$ 4,413,534.00
Covered Payroll	\$ 8,264,881.57	\$ 7,688,395.34	\$ 7,474,260.37	\$ 7,613,148.20	\$ 7,530,614.66
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	82.61%	28.00%	71.63%	59.52%	58.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.14%	94.86%	85.98%	87.56%	87.61%
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Proportionate Share Percentage of Collective Net Pension Liability	0.04669%	0.04820%	0.04656%	0.04791%	0.04980%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 3,704,591.00	\$ 4,430,078.00	\$ 1,715,828.00	\$ 561,707.00	\$ 3,023,367.00
Covered Payroll	\$ 7,559,986.40	\$ 7,688,374.03	\$ 7,485,739.43	\$ 7,208,275.42	\$ 7,523,084.20
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	49.00%	57.62%	22.92%	7.79%	40.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.51%	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.

**Brunswick 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	2023	2022	2021	2020	2019
Contractually Required Contribution	\$ 1,522,625.36	\$ 1,353,787.60	\$ 1,136,345.00	\$ 969,411.57	\$ 935,655.91
Contributions in Relation to the Contractually Determined Contribution	1,522,625.36	1,353,787.60	1,136,345.00	969,411.57	935,655.91
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 8,760,790.32	\$ 8,264,881.57	\$ 7,688,395.34	\$ 7,474,260.37	\$ 7,613,148.20
Contributions as a Percentage of Covered Payroll	17.38%	16.38%	14.78%	12.97%	12.29%
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 811,800.26	\$ 754,486.64	\$ 703,486.22	\$ 684,945.16	\$ 626,399.13
Contributions in Relation to the Contractually Determined Contribution	811,800.26	754,486.64	703,486.22	684,945.16	626,399.13
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 7,530,614.66	\$ 7,559,986.40	\$ 7,688,374.03	\$ 7,485,739.43	\$ 7,208,275.42
Contributions as a Percentage of Covered Payroll	10.78%	9.98%	9.15%	9.15%	8.69%

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



**Brunswick 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, 2023**

*Changes of Benefit Terms:*

Teachers' and State Employees' Retirement System	Cost of Living Increase									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Adjustments (COLAs) in the period of the legislative session or Board of Trustees meeting when it was passed. The COLA is effective as of July 1 of that period and the fiscal year end plan 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 age 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.

In December 2021, for the fiscal year ended June 30, 2022, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of September 1, 2021, received a one-time cost-of-living supplement payment, equal to 2% of the beneficiary's annual retirement allowance.

Benefit recipients of the TSERS will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid by October 2022, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2023. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

*Methods and Assumptions Used in Calculations of Actuarially Determined Contributions:* An actuarial valuation is performed for each year for the plan. 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 the 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 January 2021, the actuarial assumptions for the TSERS were updated to more closely reflect actual experience.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of the TSERS 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 the TSERS experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS adopted a number of new actuarial assumptions and methods. 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.

The discount rate for the TSERS 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 2022 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

**Brunswick 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 Seven Fiscal Years\***

**Exhibit C-3**  
**Page 1 of 2**

<b>Retiree Health Benefit Fund</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Proportionate Share Percentage of Collective Net OPEB Liability	0.03896%	0.03822%	0.03649%	0.38060%	0.03841%
Proportionate Share of Collective Net OPEB Liability	\$ 9,252,248.00	\$ 11,814,360.00	\$ 10,122,316.00	\$ 12,043,121.00	\$ 10,942,600.00
Covered Payroll	\$ 8,264,881.57	\$ 7,688,395.34	\$ 7,474,260.37	\$ 7,613,148.20	\$ 7,530,614.66
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	111.95%	153.66%	135.43%	158.19%	145.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.58%	7.72%	6.92%	4.40%	4.40%
	<b>2018</b>	<b>2017</b>			
Proportionate Share Percentage of Collective Net OPEB Liability	0.03863%	0.03863%			
Proportionate Share of Collective Net OPEB Liability	\$ 12,665,084.00	\$ 18,010,407.00			
Covered Payroll	\$ 7,559,986.40	\$ 7,688,374.03			
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	167.53%	234.26%			
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3.52%	2.41%			

**Brunswick 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 Seven Fiscal Years\***

**Exhibit C-3**  
**Page 2 of 2**

Disability Income Plan of North Carolina	2023	2022	2021	2020	2019
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.03935%	0.03984%	0.03781%	0.03747%	0.03826%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ 11,706.00	\$ (6,507.00)	\$ (18,600.00)	\$ (16,168.00)	\$ (11,622.00)
Covered Payroll	\$ 8,264,881.57	\$ 7,688,395.34	\$ 7,474,260.37	\$ 7,613,148.20	\$ 7,530,614.66
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.14%	0.08%	0.25%	0.21%	0.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.34%	105.18%	115.57%	113.00%	108.47%
	<b>2018</b>	<b>2017</b>			
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.04026%	0.04026%			
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (24,607.00)	\$ (26,324.00)			
Covered Payroll	\$ 7,559,986.40	\$ 7,688,374.03			
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.33%	0.34%			
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	116.23%	116.06%			

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended.

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

**Brunswick 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**

<b>Retiree Health Benefit Fund</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Contractually Required Contribution	\$ 603,618.45	\$ 519,861.05	\$ 513,584.81	\$ 483,584.65	\$ 477,344.39
Contributions in Relation to the Contractually Determined Contribution	603,618.45	519,861.05	513,584.81	483,584.65	477,344.39
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 8,760,790.32	\$ 8,264,881.57	\$ 7,688,395.34	\$ 7,474,260.37	\$ 7,613,148.20
Contributions as a Percentage of Covered Payroll	6.89%	6.29%	6.68%	6.47%	6.27%
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually Required Contribution	\$ 455,602.19	\$ 438,898.61	\$ 429,428.95	\$ 410,967.09	\$ 389,246.87
Contributions in Relation to the Contractually Determined Contribution	455,602.19	438,898.61	429,428.95	410,967.09	389,246.87
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 7,530,614.66	\$ 7,559,986.40	\$ 7,688,374.03	\$ 7,485,739.43	\$ 7,208,275.42
Contributions as a Percentage of Covered Payroll	6.05%	5.81%	5.60%	5.49%	5.40%

**Brunswick 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**

<b>Disability Income Plan of North Carolina</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Contractually Required Contribution	\$ 8,760.79	\$ 7,438.39	\$ 6,919.56	\$ 7,474.26	\$ 10,658.41
Contributions in Relation to the Contractually Determined Contribution	8,760.79	7,438.39	6,919.56	7,474.26	10,658.41
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 8,760,790.32	\$ 8,264,881.57	\$ 7,688,395.34	\$ 7,474,260.37	\$ 7,613,148.20
Contributions as a Percentage of Covered Payroll	0.10%	0.09%	0.09%	0.10%	0.14%
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually Required Contribution	\$ 10,645.09	\$ 28,727.95	\$ 31,440.33	\$ 30,691.53	\$ 31,716.41
Contributions in Relation to the Contractually Determined Contribution	10,645.09	28,727.95	31,440.33	30,691.53	31,716.41
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 7,530,614.66	\$ 7,559,986.40	\$ 7,688,374.03	\$ 7,485,739.43	\$ 7,208,275.42
Contributions as a Percentage of Covered Payroll	0.14%	0.38%	0.41%	0.41%	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.

***Brunswick 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, 2023***

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*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.

Effective January 1, 2022, the structure of employer contributions to the RHBF was altered by legislation. Previously, non-Medicare-eligible retirees had the same employer contribution rate as active employees. As a result of the legislative change, non-Medicare-eligible retirees have the same employer contribution rate as Medicare-eligible retirees.

Beginning with the Disability Income Plan of North Carolina (DIPNC) actuarial valuation as of December 31, 2017, the valuation included a liability for the State's potential reimbursement of costs incurred by employers for income benefits and health insurance premiums during the second six months of the first year of employee's short-term disability benefit period. Effective with the actuarial valuation as of December 31, 2021, this liability was removed from the actuarial valuation because the reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019.

*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.

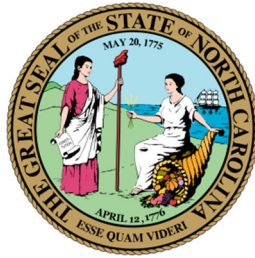
*Changes of Assumptions:* Consistent with prior years, for the actuarial valuation measured as of June 30, 2022 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.54%, from 2.16% as of June 30, 2021. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. 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 five years. The terms of the Pharmacy Benefits Management contract effective January 1, 2023 were incorporated in the valuation.

For the actuarial valuation measured as of June 30, 2022 for DIPNC, the discount rate was updated to 3.08%, from 3.00% as of June 30, 2021. This was a result of an update to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end, combined with the determination that the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members.

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 TSERS 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. Also in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the TSERS actuarial valuation to better align with the anticipated incidence of disability.

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 2022 *Annual Comprehensive Financial Report*.



# **Independent Auditor's Report**



## North Carolina Office of the State Auditor

Jessica N. Holmes, State Auditor

[www.auditor.nc.gov](http://www.auditor.nc.gov)

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

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Board of Trustees  
Brunswick Community College  
Bolivia, 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 Brunswick 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, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 7, 2024. Our report includes a reference to other auditors who audited the financial statements of Brunswick Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Brunswick 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 Brunswick Community College Foundation, Inc.

#### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

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



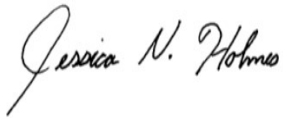
deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

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

### Purpose of this Report

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



Jessica N. Holmes  
State Auditor

Raleigh, North Carolina

March 7, 2024

# Ordering Information

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Copies of this report may be obtained by contacting:

Office of the State Auditor  
State of North Carolina  
20601 Mail Service Center  
Raleigh, North Carolina 27699

Telephone: 919-807-7500  
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Office of the State Auditor's Tipline:

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**Internet:** [www.auditor.nc.gov/about-us/state-auditors-tipline](http://www.auditor.nc.gov/about-us/state-auditors-tipline)

For additional information contact the  
North Carolina Office of the State Auditor at:

**919-807-7666**



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This audit required 383 hours at an approximate cost of \$52,088.