Piedmont Community College

Roxboro, 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

NCOSA
Office of the
State Auditor

North Carolina Office of the State Auditor
Jessica N. Holmes, J.D., State Auditor

Auditor's Transmittal

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

We have completed a financial statement audit of Piedmont 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.

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements disclosed a deficiency that is detailed in the Finding, Recommendation, and Response section of this report. The College's response is included following the finding.

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.

Jessica N. Holmes, J.D.

Jessica N. Holmes, J.D.
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, J.D., State Auditor

Independent Auditor's Report

Board of Trustees
Piedmont Community College
Roxboro, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Piedmont 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 the 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 Piedmont 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 Piedmont 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 July 17, 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, J.D.

Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

July 17, 2024

Management's Discussion and Analysis

This section of the Piedmont Community College (College or PPC) Annual Financial Report presents management's discussion and analysis (MD&A) of the College's financial activity during the fiscal year ended June 30, 2023, with comparative data for the fiscal year ended June 30, 2022. College management has prepared this discussion, along with the financial statements and related notes. The financial statements, notes to the financial statements, and this discussion are the responsibility of College management.

The purpose of the MD&A is to identify significant transactions that have financial impact and to highlight favorable and unfavorable trends. This discussion and analysis should, however, be read in conjunction with, and is qualified in its entirety by the related financial statements and notes to the financial statements.

USING THE ANNUAL REPORT/OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) accounting principles, which establish standards for external financial reporting for public colleges and universities. These standards require that financial statements be presented on a consolidated basis to focus on the College as a whole, with resources classified for accounting and reporting purposes into four net position categories. The College's financial statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

This annual report also includes information related to the Piedmont Community College Foundation, Inc. (Foundation), which is reported as a discretely presented component unit based on the nature and significance of its relationship to the College. This MD&A excludes activity of the Foundation unless specifically noted. See Note 1 for more information regarding the Foundation and its relationship to the College.

One of the most important questions asked about college finances is whether the College as a whole is better or worse off as a result of the year's activities. The keys to understanding this question are presented in the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. This MD&A focuses on the first two statements. The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating activities, noncapital financing activities, capital financing activities, and investing activities. These statements present financial information in a form similar to that used by corporations. The College's net position is one indicator of the College's financial health. Over time, increases or decreases in net position are one 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 the facilities.

STATEMENT OF NET POSITION

The Statement of Net Position presents the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of the end of the fiscal year. Assets and liabilities are divided into current and noncurrent portions, with the current portions representing assets available or liabilities payable within one year.

From the data presented, readers of this statement are able to determine the assets available to continue the operations of the College. They are also able to determine how much the

College owes vendors, employees, and other institutions. The Statement of Net Position also provides a picture of net position (assets and deferred outflows less liabilities and deferred inflows) and its availability for expenditure by the College. Net position is divided into three major categories: net investment in capital assets; restricted; and unrestricted. Restricted net position is further required to be presented as expendable or nonexpendable, however, the College does not currently hold any nonexpendable funds. The categories of net position are further described in Note 1 to the financial statements.

A condensed statement of net position is reflected below:

Condensed Statement of Net Position

	2023	2022 (as Restated)	Change
Assets			
Current Assets	$ 2,343,593.93	$ 2,244,288.91	$ 99,305.02
Other Noncurrent Assets	5,411,534.95	1,215,339.14	4,196,195.81
Capital Assets, Net	15,800,103.06	14,776,848.33	1,023,254.73
Total Assets	23,555,231.94	18,236,476.38	5,318,755.56
Total Deferred Outflows of Resources	6,068,804.24	4,216,971.24	1,851,833.00
Liabilities			
Current Liabilities	683,391.24	767,952.55	(84,561.31)
Long-Term Liabilities	16,268,362.62	14,297,248.76	1,971,113.86
Total Liabilities	16,951,753.86	15,065,201.31	1,886,552.55
Total Deferred Inflows of Resources	5,016,783.00	7,139,326.00	(2,122,543.00)
Net Position			
Net Investment in Capital Assets	15,659,081.83	14,548,870.33	1,110,211.50
Restricted - Expendable	6,038,970.87	1,812,316.49	4,226,654.38
Unrestricted	(14,042,553.38)	(16,112,266.51)	2,069,713.13
Total Net Position	$ 7,655,499.32	$ 248,920.31	$ 7,406,579.01

The College's total assets increased by $5.3 million as compared to the prior year, primarily due to a $4.2 million increase in other noncurrent assets. Noncurrent restricted cash increased by $4.2 million as a result of unspent capital contributions received during the period for the Center for Educational and Agricultural Development (CEAD) construction project. Capital assets (net) increased by $1.0 million due to completion of the project to upgrade the Caswell campus for Americans with Disability Act (ADA) compliance, as well as continued construction on the Pearson County ADA and CEAD projects. Refer to Note 5 for more information about the College's capital assets.

The College's total liabilities increased by $1.9 million as compared to the prior year, primarily due to the increase in long-term liabilities. The increase in long-term liabilities resulted from a $4.6 million increase in the College's proportionate share of the State's collective net pension liability, offset by a $2.8 million decrease in the College's proportionate share of the State's collective net other postemployment benefits (OPEB) liability. Both of these fluctuations were due to changes in actuarial valuations of the plans. Refer to Notes 12 and 13 for more information about the factors that affect the measurement of the College's net pension and net OPEB liabilities, respectively.

Deferred outflows of resources increased by $1.9 million, while deferred inflows of resources decreased by $2.1 million. Both of these changes were the result of changes in actuarial valuations of the State's pension and OPEB plans. See Notes 12 and 13 for more information regarding the College's deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, respectively.

Total net position increased by $7.4 million compared to the prior year, as restated (see Note 17). Net investment in capital assets increased by $1.1 million as a result of the capital activity described above, offset by current year depreciation and amortization. Restricted expendable net position for capital projects increased by $4.3 million due to unspent capital contributions received during the period for the CEAD and other capital projects. The deficit in unrestricted net position decreased by $2.0 million primarily due to changes in accounts related to pension and OPEB plans, as discussed above.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Changes in amounts presented on the Statement of Net Position are the result of activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the revenues earned by the College, both operating and nonoperating, and the expenses incurred by the College, both operating and nonoperating, as well as any other revenues, expenses, gains or losses.

Generally speaking, operating revenues are earned for providing goods and services to the various constituencies of the College. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Nonoperating revenues are revenues earned for which goods and services are not provided in return. State and county appropriations, grants, and gifts are considered nonoperating revenues in accordance with GASB accounting standards, even though these revenues are instrumental to the College's mission and operations. Capital contributions are reported separately after nonoperating revenues and expenses.

A condensed statement of revenues, expenses, and changes in net position is shown as follows:

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

	2023	2022 (as Restated)	Change
Operating Revenues			
Student Tuition and Fees, Net	$ 1,019,130.67	$ 946,978.82	$ 72,151.85
Sales and Services, Net	588,388.17	562,476.02	25,912.15
Other Operating Revenues	39,240.51	76,070.62	(36,830.11)
Total Operating Revenues	1,646,759.35	1,585,525.46	61,233.89
Operating Expenses			
Salaries and Benefits	11,249,311.48	10,267,070.60	982,240.88
Supplies and Services	3,867,953.86	4,111,707.85	(243,753.99)
Scholarships and Fellowships	1,743,037.85	2,710,598.44	(967,560.59)
Utilities	388,697.70	356,827.72	31,869.98
Depreciation/Amortization	655,918.62	607,188.24	48,730.38
Total Operating Expenses	17,904,919.51	18,053,392.85	(148,473.34)
Operating Loss	(16,258,160.16)	(16,467,867.39)	209,707.23
Nonoperating Revenues (Expenses)			
State Aid	10,257,781.07	10,413,755.01	(155,973.94)
State Aid - Coronavirus	1,004,939.94	737,518.58	267,421.36
County Appropriations	1,756,705.36	1,585,676.92	171,028.44
Federal Aid - COVID-19	623,671.24	2,479,085.53	(1,855,414.29)
Noncapital Contributions/Student Financial Aid	3,437,390.68	3,562,349.93	(124,959.25)
Investment Income	23,130.07	260.51	22,869.56
Other Nonoperating Expenses	(34,419.20)	-	(34,419.20)
Net Nonoperating Revenues	17,069,199.16	18,778,646.48	(1,709,447.32)
Income Before Other Revenues	811,039.00	2,310,779.09	(1,499,740.09)
Capital Aid & Contributions	6,595,540.01	724,999.94	5,870,540.07
Increase in Net Position	7,406,579.01	3,035,779.03	4,370,799.98
Net Position, July 1	248,920.31	(2,786,858.72)	3,035,779.03
Net Position, June 30	$ 7,655,499.32	$ 248,920.31	7,406,579.01
Reconciliation of Changes in Net Position			
Total Revenues	$ 25,345,917.72	$ 21,089,171.88	$ 4,256,745.84
Less: Total Expenses	17,939,338.71	18,053,392.85	(114,054.14)
Increase in Net Position	$ 7,406,579.01	$ 3,035,779.03	$ 4,370,799.98

The College's total operating revenues increased by $61 thousand as compared to the prior year, with the increases primarily due to an increase in student enrollment during the period.

Total operating expenses remained relatively consistent with the prior period as a result of offsetting increases and decreases. Scholarships and fellowships decreased by $968 thousand due to a decrease in student aid awards from the federal Higher Education Emergency Relief Fund (HEERF) as the majority of these funds were expended in prior periods. Supplies and services decreased by $244 thousand primarily due to a decrease in costs associated with COVID-19 testing and related equipment. Salaries and benefits increased by $982 thousand due to increased benefit costs, legislative raises for employees, and the hiring of additional staff to bring the College back to pre-COVID levels.

Net nonoperating revenues decreased by $1.7 million primarily due to a $1.9 million decrease in federal COVID-19 aid for the HEERF as discussed above.

Capital aid and contributions increased by $5.9 million, primarily due to $4.7 million in capital contributions associated with the CEAD project.

ECONOMIC AND OTHER FACTORS IMPACTING FUTURE PERIODS

The economic position of Piedmont Community College (PCC) is closely tied to the State of North Carolina and its legislative budgetary decisions. The State of North Carolina provides the operational funding for the College, and the two counties the College supports, Person and Caswell, provide for certain capital and other funding of the College. The budgeting process of the State of North Carolina is driven by student enrollment at the College. Fortunately, PCC is one of the few NC Community Colleges that experienced growth during the 2022-23 academic year. This growth will translate into an estimated 4% increase in state funding.

While the College is experiencing small growth in its state funding, the funding from the local counties remains flat when adjusted for inflationary costs. In addition, the main campus, Person County, has a number of deferred maintenance issues as well as facility improvements that remain unfunded or underfunded by the county. Also, as the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, and the American Rescue Plan (ARP) come to end, PCC is aggressively seeking grant opportunities to continue the programs funded by these federal programs.

PCC is moving forward with Caswell County to begin the construction of the Center for Educational and Agricultural Development (CEAD). The College has entered into a contractual agreement for a construction manager of the project and has completed the schematic design phase. The Center for Education and Agriculture Development is the future home of Piedmont Community College's Agribusiness Technology Program and a center for economic development in Caswell County. The campus will include agricultural education, economic development, and community resources. The College is still pursuing the economic development opportunities with this project as it captures many years of vision and leadership from dedicated community members at Piedmont Community College, Caswell County, the Piedmont Community College Foundation, Inc., Caswell County Cooperative Extension, and the Danville Regional Foundation.

The College's Board of Trustees and administrators are dedicated in their efforts toward program assessment; cost containment; continuous improvement; expansion of curriculum, occupational training, and continuing education programs; and increased distance learning opportunities. These efforts are geared toward assessing the College's performance related to institutional goals, freeing up resources to support change, and growing new programs and opportunities. As a result, Piedmont Community College is positioned to continue its trend of increased enrollment, and when appropriate, eliminate obsolete programs. The College also intends to continue to partner with the State and community in economic development and to meet public expectations, while remaining financially sound.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the College's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Piedmont Community College Controller, P.O. Box 1197, 1715 College Drive, Roxboro, North Carolina 27573.

Financial Statements

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 1,272,519.17
Restricted Cash and Cash Equivalents	394,601.96
Short-Term Investments	334,153.99
Restricted Short-Term Investments	2,793.76
Receivables, Net (Note 4)	301,832.29
Prepaid Items	37,692.76
Total Current Assets	2,343,593.93
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	4,202,226.81
Restricted Due from Primary Government	1,209,308.14
Capital Assets - Nondepreciable (Note 5)	2,012,833.06
Capital Assets - Depreciable, Net (Note 5)	13,787,270.00
Total Noncurrent Assets	21,211,638.01
Total Assets	23,555,231.94
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	4,363,852.24
Deferred Outflows Related to Other Postemployment Benefits (Note 13)	1,704,952.00
Total Deferred Outflows of Resources	6,068,804.24
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	289,203.00
Unearned Revenue	68,371.12
Funds Held for Others	67,740.06
Long-Term Liabilities - Current Portion (Note 7)	258,077.06
Total Current Liabilities	683,391.24
Noncurrent Liabilities:	
Long-Term Liabilities (Note 7)	16,268,362.62
Total Liabilities	16,951,753.86
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	132,898.00
Deferred Inflows Related to Other Postemployment Benefits (Note 13)	4,883,885.00
Total Deferred Inflows of Resources	5,016,783.00

NET POSITION	
Net Investment in Capital Assets	15,659,081.83
Restricted:	
Expendable:	
Student Financial Aid	67,087.71
Capital Projects	5,766,427.53
Other	205,455.63
Total Restricted-Expendable Net Position	6,038,970.87
Unrestricted	(14,042,553.38)
Total Net Position	$ 7,655,499.32

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

Piedmont 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)	$ 1,019,130.67
Sales and Services, Net (Note 10)	588,388.17
Other Operating Revenues	39,240.51
Total Operating Revenues	1,646,759.35
OPERATING EXPENSES	
Salaries and Benefits	11,249,311.48
Supplies and Services	3,867,953.86
Scholarships and Fellowships	1,743,037.85
Utilities	388,697.70
Depreciation/Amortization	655,918.62
Total Operating Expenses	17,904,919.51
Operating Loss	(16,258,160.16)
NONOPERATING REVENUES (EXPENSES)	
State Aid	10,257,781.07
State Aid - Coronavirus	1,004,939.94
County Appropriations	1,756,705.36
Student Financial Aid	1,973,198.18
Federal Aid - COVID-19	623,671.24
Noncapital Contributions	1,464,192.50
Investment Income	23,130.07
Other Nonoperating Expenses	(34,419.20)
Net Nonoperating Revenues	17,069,199.16
Income Before Other Revenues	811,039.00
State Capital Aid	1,210,208.06
County Capital Aid	640,428.23
Capital Contributions	4,744,903.72
Total Other Revenues	6,595,540.01
Increase in Net Position	7,406,579.01
NET POSITION	
Net Position - July 1, 2022, as Restated (Note 17)	248,920.31
Net Position - June 30, 2023	$ 7,655,499.32

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

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 1,704,247.04
Payments to Employees and Fringe Benefits	(13,196,036.48)
Payments to Vendors and Suppliers	(4,119,786.61)
Payments for Scholarships and Fellowships	(1,743,037.85)
Other Receipts	11,638.87
Net Cash Used by Operating Activities	(17,342,975.03)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid	10,257,781.07
State Aid - Coronavirus	1,004,939.94
County Appropriations	1,756,705.36
Student Financial Aid	1,973,198.18
Federal Aid - COVID-19	623,671.24
Noncapital Contributions	1,459,664.04
Total Cash Provided by Noncapital Financing Activities	17,075,959.83
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
State Capital Aid	1,210,208.06
County Capital Aid	653,856.23
Capital Contributions	4,708,830.02
Acquisition and Construction of Capital Assets	(1,708,079.69)
Principal Paid on Lease Liabilities	(105,710.00)
Interest Paid on Lease Liabilities	(13,428.00)
Net Cash Provided by Capital Financing and Related Financing Activities	4,745,676.62
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	73,943.23
Investment Income	23,168.24
Purchase of Investments and Related Fees	(10,890.98)
Net Cash Provided by Investing Activities	86,220.49
Net Increase in Cash and Cash Equivalents	4,564,881.91
Cash and Cash Equivalents - July 1, 2022, as Restated	1,304,466.03
Cash and Cash Equivalents - June 30, 2023	$ 5,869,347.94

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$ (16,258,160.16)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	655,918.62
Other Nonoperating Income	25.00
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	92,887.73
Prepaid Items	81,873.09
Net Other Postemployment Benefits Asset	6,031.00
Deferred Outflows Related to Pensions	(1,964,545.00)
Deferred Outflows Related to Other Postemployment Benefits	112,712.00
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(4,109.84)
Unearned Revenue	(4,924.04)
Funds Held for Others	11,613.87
Net Pension Liability	4,566,903.00
Net Other Postemployment Benefits Liability	(2,786,166.00)
Compensated Absences	269,508.70
Deferred Inflows Related to Pensions	(2,491,127.00)
Deferred Inflows Related to Other Postemployment Benefits	368,584.00
Net Cash Used by Operating Activities	$ (17,342,975.03)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$ 20,904.00
Loss on Disposal of Capital Assets	(34,444.24)
Increase in Receivables Related to Nonoperating/Other Revenues	36,073.70
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(66,101.00)

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

Piedmont Community College Foundation, Inc.
Statement of Financial Position
June 30, 2023 ***Exhibit B-1***

ASSETS		
Cash and Cash Equivalents	$	139,581
Cash and Cash Equivalents, Restricted		801,929
Investments		1,210,688
Receivables, Net		29,748
Software, Net		7,450
Total Assets	$	2,189,396
LIABILITIES		
Accounts Payable	$	11,782
Scholarships Payable		96,843
Total Liabilities		108,625
NET ASSETS		
Without Donor Restrictions		17,226
With Donor Restrictions		2,063,545
Total Net Assets		2,080,771
Total Liabilities and Net Assets	$	2,189,396

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

Piedmont Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2023 *Exhibit B-2*

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Contributions, Net	$ 141,258	$ 552,675	$ 693,933
In-Kind Contributions	214,516	588	215,104
Investment Income, Net	221	64,039	64,260
Net Assets Released from Restrictions	401,559	(401,559)	-
Total Revenue and Other Support	757,554	215,743	973,297
EXPENSES			
Program Services:	437,262	-	437,262
Management and General	187,268	-	187,268
Fundraising	51,716	-	51,716
Total Expenses	676,246	-	676,246
Increase in Net Assets	81,308	215,743	297,051
NET ASSETS			
Net Assets, Beginning of Year	(64,082)	1,847,802	1,783,720
Net Assets, End of Year	$ 17,226	$ 2,063,545	$ 2,080,771

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. Piedmont 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 - Piedmont 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 not less than 10 nor more than 32 directors. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2023, the Foundation distributed $437,262.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Executive Director, P.O. Box 1101, 1715 College Drive, Roxboro, NC 27573.

B. Basis of Presentation - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities,* and GASB Statement No. 84, *Fiduciary Activities,* the full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

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

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

D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The College's equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 3.

E. **Investments** - To the extent available, investments are recorded at fair value based on quoted market prices in active markets on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 3. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the value of investments is recognized as a component of investment income.

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

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

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

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

Asset Class	Estimated Useful Life
Buildings	50 years
Machinery and Equipment	5-30 years
General Infrastructure	25-50 years

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

Amortization for right-to-use leased assets is computed using the straight-line method over the shorter of the lease 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, resources whose use is limited by external parties or statute, and other restricted investments.

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 a note from direct borrowing. Other long-term liabilities include: lease 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 12 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, fees, and other charges, the College has recorded a scholarship discount.

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

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

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

Note 2 - Deposits and Investments

A. **Deposits** - The College is required by North Carolina General Statute 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with North Carolina General Statute 115D-58.7. Official depositories may be established with any bank, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2023 was $640.00. The carrying amount of the College's deposits not with the State Treasurer was $5,349,888.64, and the bank balance was $5,559,046.63.

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.

B. Investments

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

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

At June 30, 2023, the amount shown on the Statement of Net Position as cash and cash equivalents includes $518,819.30, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 0.7 years as of June 30, 2023. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at https://www.nctreasurer.com/ in the Audited Financial Statements section.

The following table presents the investments by type and investments subject to interest rate risk at June 30, 2023, for the College's investments with Cambridge Investment Research. Interest rate risk is defined by GASB Statement No. 40, Deposit and Investment Risk Disclosures - An Amendment of GASB Statement No. 3, as the risk a government may face should interest rate variances affect the value of investments. The College does not have a formal investment policy that addresses interest rate risk.

Investment Type	Amount
Equities	$ 172,191.25
Certificates of Deposit	99,881.50
Mutual Funds	20,100.00
Fixed Income	33,390.00
Other	11,385.00
Total Investments	$ 336,947.75

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

Investment Type	Amount
Fixed Income Funds	$ 499,464
Mutual Funds	80,200
Exchange Traded Products	631,024
Total Investments	$ 1,210,688

Note 3 - Fair Value Measurements

College - To the extent available, the College's investments are recorded at fair value as of June 30, 2023. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

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

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

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

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

The following table summarizes the College's investments, including the Short-Term Investment Fund, within the fair value hierarchy at June 30, 2023:

		Fair Value Measurements Using		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Equities	$ 172,191.25	$ 172,191.25	$ -	$ -
Certificates of Deposit	99,881.50	99,881.50	-	-
Mutual Funds	20,100.00	20,100.00		
Fixed Income	33,390.00	33,390.00	-	-
Other	11,385.00	11,385.00	-	-
Total Investments by Fair Value Level	336,947.75	$ 336,947.75	$ -	$ -
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	518,819.30			
Total Investments Measured at Fair Value	$ 855,767.05			

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

Component Unit - FASB ASC 820-10, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as below:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Unobservable inputs that are supported by little or no market activity. Level 3 assets are those whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with significant unobservable inputs, as well as instruments for which the determination of fair value requires significant judgement or estimation.

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

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2023:

Type	Fair Value	Fair Value Measurements Using Level 1	Level 2	Level 3
Fixed Income Funds	$ 499,464	$ 499,464	$ -	$ -
Mutual Funds	80,200	80,200	-	-
Exchange Traded Products	631,024	631,024	-	-
Contributions Receivable, Net	29,748	-	-	29,748
Total	$ 1,240,436	$ 1,210,688	$ -	$ 29,748

Note 4 - Receivables

Receivables at June 30, 2023, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$146,092.25	$ 15,268.50	$130,823.75
Student Sponsors	5,110.04	-	5,110.04
Intergovernmental	165,898.50	-	165,898.50
Total Current Receivables	$317,100.79	$ 15,268.50	$301,832.29

Note 5 - Capital Assets

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

	(As Restated) Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital Assets, Nondepreciable:				
Land	$ 748,856.15	$ -	$ -	$ 748,856.15
Construction in Progress	250,064.62	1,531,281.54	517,369.25	1,263,976.91
Total Capital Assets, Nondepreciable	998,920.77	1,531,281.54	517,369.25	2,012,833.06
Capital Assets, Depreciable:				
Buildings	17,967,231.59	517,369.25	-	18,484,600.84
Machinery and Equipment	4,457,914.59	182,336.01	176,287.04	4,463,963.56
General Infrastructure	3,175,721.26	-	-	3,175,721.26
Right-to-Use Leased Machinery and Equipment	116,270.00	-	-	116,270.00
Total Capital Assets, Depreciable	25,717,137.44	699,705.26	176,287.04	26,240,555.66
Less Accumulated Depreciation/Amortization for:				
Buildings	8,719,184.09	369,670.93	-	9,088,855.02
Machinery and Equipment	2,078,961.27	186,897.77	141,842.84	2,124,016.20
General Infrastructure	1,104,602.52	62,887.92	-	1,167,490.44
Right-to-Use Leased Machinery and Equipment	36,462.00	36,462.00	-	72,924.00
Total Accumulated Depreciation/Amortization	11,939,209.88	655,918.62	141,842.84	12,453,285.66
Total Capital Assets, Depreciable, Net	13,777,927.56	43,786.64	34,444.20	13,787,270.00
Capital Assets, Net	$ 14,776,848.33	$ 1,575,068.18	$ 551,813.45	$ 15,800,103.06

Note 6 - Accounts Payable and Accrued Liabilities

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

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 135,302.08
Accounts Payable - Capital Assets	20,904.00
Accrued Payroll	132,996.92
Total Current Accounts Payable and Accrued Liabilities	$ 289,203.00

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	Additions	Reductions	Balance June 30, 2023	Current Portion
Long-Term Debt					
Note from Direct Borrowing	$ 143,520.83	$ -	$ 69,531.25	$ 73,989.58	$ 73,989.58
Other Long-Term Liabilities					
Lease Liabilities	82,306.40	-	36,178.75	46,127.65	33,186.65
Compensated Absences	851,672.75	796,263.93	526,755.23	1,121,181.45	150,900.83
Net Pension Liability	2,011,177.00	4,566,903.00	-	6,578,080.00	-
Net Other Postemployment Benefits Liability	11,559,328.00	11,349.00	2,863,616.00	8,707,061.00	-
Total Other Long-Term Liabilities	14,504,484.15	5,374,515.93	3,426,549.98	16,452,450.10	184,087.48
Total Long-Term Liabilities	$ 14,648,004.98	$ 5,374,515.93	$ 3,496,081.23	$ 16,526,439.68	$ 258,077.06

Additional information regarding lease 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. Note from Direct Borrowing - The College was indebted for a note from direct borrowing for the purpose shown in the following table:

Purpose	Lender	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2023
Modular Classroom	Modular Technologies, Inc.	6.412%	07/15/2023	$ 327,971.02	$ 73,989.58

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

Fiscal Year	Principal	Interest
2024	$ 73,989.58	$ 4,744.21

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

Note from Direct Borrowing - The College's outstanding note from direct borrowing of $73,989.58 contains provisions that in an event of default, the lender may by written notice to the College, declare an amount equal to all remaining outstanding payments to be immediately due and payable. The lender may also take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due or to enforce performance and observance of any obligation of the College made provided under the agreement.

Note 8 - Leases

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'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	Interest Rate
Lessee:					
Right-to-Use Leased Machinery and Equipment	2	$ 46,127.65	$ 33,186.65	1 - 4 years	6.41%

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

	Annual Requirements	
	Lease Liabilities	
Fiscal Year	Principal	Interest
2024	$ 33,186.65	$ 1,829.00
2025	4,418.00	586.00
2026	4,710.00	294.00
2027	3,813.00	31.00
Total Requirements	$ 46,127.65	$ 2,740.00

Note 9 - Net Position

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (2,347,125.76)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(11,885,994.00)
Effect on Unrestricted Net Position	(14,233,119.76)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	190,566.38
Total Unrestricted Net Position	$ (14,042,553.38)

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	$1,667,655.39	$ 647,130.95	$ 1,393.77	$1,019,130.67
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	$ 197,179.08	$ -	$ -	$ 197,179.08
Vending	2,491.40	-	-	2,491.40
Dining	68,313.29	-	-	68,313.29
Daycare	178,554.65	-	-	178,554.65
Other	137,728.00	-	-	137,728.00
Sales and Services of Education and Related Activities	4,121.75	-	-	4,121.75
Total Sales and Services, Net	$ 588,388.17	$ -	$ -	$ 588,388.17

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	$ 6,200,457.56	$ 1,328,025.51	$ -	$ -	$ -	$ 7,528,483.07
Academic Support	1,752,013.64	75,771.10	-	-	-	1,827,784.74
Student Services	1,122,760.90	177,864.70	-	-	-	1,300,625.60
Institutional Support	1,093,888.19	1,070,213.65	-	-	-	2,164,101.84
Operations and Maintenance of Plant	752,323.64	882,247.33	-	388,697.70	-	2,023,268.67
Student Financial Aid	-	-	1,743,037.85	-	-	1,743,037.85
Auxiliary Enterprises	327,867.55	333,831.57	-	-	-	661,699.12
Depreciation/Amortization	-	-	-	-	655,918.62	655,918.62
Total Operating Expenses	$ 11,249,311.48	$ 3,867,953.86	$ 1,743,037.85	$ 388,697.70	$ 655,918.62	$ 17,904,919.51

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 $104,180.30 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 $504,445.66, and the College's contributions were $1,461,210.94 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 $6,578,080.00 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 0.04432%, which was an increase of 0.00137 from its proportion measured as of June 30, 2021, which was 0.04295%.

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:

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%.

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:

Net Pension Liability

1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
$ 11,630,380.00	$ 6,578,080.00	$ 2,407,810.00

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 $1,442,893.00. 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	$ 28,641.30	$ 89,660.00
Changes of Assumptions	518,985.00	-
Net Difference Between Projected and Actual Earnings on Plan Investments	2,160,505.00	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	194,510.00	43,238.00
Contributions Subsequent to the Measurement Date	1,461,210.94	-
Total	$ 4,363,852.24	$ 132,898.00

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 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	$	730,404.00
2025		714,191.00
2026		289,463.00
2027		1,035,685.30
Total	$	2,769,743.30

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 $579,271.77 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 $66,101.00.

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 $8,407.43 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 $8,695,712.00 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 0.03662%, which was a decrease of 0.00077 from its proportion measured as of June 30, 2021, which was 0.03739%.

Disability Income Plan of North Carolina: At June 30, 2023, the College reported a liability of $11,349.00 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 0.03815%, which was an increase of 0.00123 from its proportion measured as of June 30, 2021, which was 0.03692%.

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	$ 10,243,000.00	$ 8,695,712.00	$ 7,432,697.00
	1% Decrease (2.08%)	Current Discount Rate (3.08%)	1% Increase (4.08%)
DIPNC	$ 13,975.00	$ 11,349.00	$ 8,717.00

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	$ 7,158,279.00	$ 8,695,712.00	$ 10,683,947.00

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	$ (1,698,421.00)
DIPNC	17,729.00
Total OPEB Expense	$ (1,680,692.00)

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	$ 84,424.00	$ 12,721.00	$ 97,145.00
Changes of Assumptions	696,205.00	729.00	696,934.00
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	75,301.00	12,004.00	87,305.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	229,149.00	6,739.80	235,888.80
Contributions Subsequent to the Measurement Date	579,271.77	8,407.43	587,679.20
Total	$ 1,664,350.77	$ 40,601.23	$ 1,704,952.00

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 24,062.00	$ -	$ 24,062.00
Changes of Assumptions	3,957,623.00	2,102.00	3,959,725.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	900,098.00	-	900,098.00
Total	$ 4,881,783.00	$ 2,102.00	$ 4,883,885.00

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	$ (1,378,918.00)	$ 7,587.00
2025	(958,309.00)	8,414.00
2026	(990,386.00)	5,715.00
2027	(469,092.00)	4,617.00
2028	1.00	1,663.00
Thereafter	-	2,095.80
Total	$ (3,796,704.00)	$ 30,091.80

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. 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.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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. Fire and other property losses are 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. For employees paid with non-state funds, the College has acquired coverage of $100,000 per occurrence with a $500 deductible through a private insurer.

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 supplements the State's liability coverage by acquiring additional general liability coverage up to $2,000,000. As part of the College's insurance portfolio, professional liability coverage is provided for the Board of Trustees, faculty, and staff up to $1,000,000 with retention of $5,000. The College also purchased cyber liability coverage of $1,000,000 with an aggregate deductible of $30,000 from a private insurance company.

Note 15 - Commitments and Contingencies

A. **Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $1,209,308.14 at June 30, 2023.

B. **Pending Litigation and Claims** - The College is a party to claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. College management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the College.

Note 16 - 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.

The College has no agreements that require the recognition of SBITA assets or liabilities as of June 30, 2023.

Note 17 - Net Position Restatements

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

	Amount
July 1, 2022 Net Position as Previously Reported	$ 1,739.47
Restatements to Correct Prior Period Errors in:	
Cash	76,073.95
Inventories	(77,539.53)
Unearned Revenue	16,350.50
Capital Assets, Net	232,295.92
July 1, 2022 Net Position as Restated	$ 248,920.31

Required Supplementary Information

Piedmont 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***

Teachers' and State Employees' Retirement System	**2023**	**2022**	**2021**	**2020**	**2019**
Proportionate Share Percentage of Collective Net Pension Liability	0.04432%	0.04295%	0.04359%	0.04820%	0.04750%
Proportionate Share of TSERS Collective Net Pension Liability	$ 6,578,080.00	$ 2,011,177.00	$ 5,266,542.00	$ 4,996,873.00	$ 4,729,142.00
Covered Payroll	$ 8,218,505.15	$ 7,938,444.33	$ 8,476,380.00	$ 8,383,615.95	$ 8,406,589.51
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	80.04%	25.33%	62.13%	59.60%	56.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.14%	94.86%	85.98%	87.56%	87.61%

	2018	**2017**	**2016**	**2015**	**2014**
Proportionate Share Percentage of Collective Net Pension Liability	0.05204%	0.05690%	0.06136%	0.07136%	0.07440%
Proportionate Share of TSERS Collective Net Pension Liability	$ 4,129,083.00	$ 5,229,698.00	$ 2,261,237.00	$ 836,640.00	$ 4,516,838.00
Covered Payroll	$ 8,984,231.59	$ 9,036,459.38	$ 9,531,605.66	$ 10,429,349.85	$ 10,827,691.21
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	45.96%	57.87%	23.72%	8.02%	41.72%
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.

Piedmont 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	$ 1,461,210.94	$ 1,346,191.14	$ 1,173,302.07	$ 1,252,809.00	$ 1,030,347.00
Contributions in Relation to the Contractually Determined Contribution	1,461,210.94	1,346,191.14	1,173,302.07	1,252,809.00	1,030,347.00
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 8,407,427.73	$ 8,218,505.15	$ 7,938,444.33	$ 8,476,380.00	$ 8,383,615.95
Contributions as a Percentage of Covered Payroll	17.38%	16.38%	14.78%	14.78%	12.29%

	2018	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 906,230.00	$ 896,626.00	$ 826,836.13	$ 872,142.24	$ 906,310.50
Contributions in Relation to the Contractually Determined Contribution	906,230.00	896,626.00	826,836.13	872,142.24	906,310.50
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 8,406,589.51	$ 8,984,231.59	$ 9,036,459.38	$ 9,531,605.66	$ 10,429,349.85
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.

Piedmont 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:

	Cost of Living Increase									
Teachers' and State Employees'	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Retirement System	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

Piedmont 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**

Retiree Health Benefit Fund	**2023**	**2022**	**2021**	**2020**	**2019**
Proportionate Share Percentage of Collective Net OPEB Liability	0.03662%	0.03739%	0.03661%	0.03956%	0.04080%
Proportionate Share of Collective Net OPEB Liability	$ 8,695,712.00	$ 11,559,328.00	$ 10,155,092.00	$ 12,516,472.00	$ 11,623,498.00
Covered Payroll	$ 8,218,505.15	$ 7,938,444.33	$ 8,476,380.00	$ 8,383,615.95	$ 8,406,589.51
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	105.81%	145.61%	119.80%	149.30%	138.27%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.58%	7.72%	6.92%	4.40%	4.40%

	2018	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability	0.04159%	0.04804%
Proportionate Share of Collective Net OPEB Liability	$ 13,636,624.00	$ 20,899,033.00
Covered Payroll	$ 8,984,231.59	$ 9,036,459.38
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	151.78%	231.27%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3.52%	2.41%

Piedmont 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**

Disability Income Plan of North Carolina	**2023**	**2022**	**2021**	**2020**	**2019**
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.03815%	0.03692%	0.03672%	0.04110%	0.04036%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ 11,349.00	$ (6,031.00)	$ (18,064.00)	$ (17,735.00)	$ (12,260.00)
Covered Payroll	$ 8,218,505.15	$ 7,938,444.33	$ 8,476,380.00	$ 8,383,615.95	$ 8,406,589.51
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.14%	0.08%	0.21%	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%

	2018	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.04404%	0.48660%
Proportionate Share of Collective Net OPEB Liability (Asset)	$ (26,917.00)	$ (30,218.00)
Covered Payroll	$ 8,984,231.59	$ 9,036,459.38
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.30%	0.33%
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.

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

Retiree Health Benefit Fund	**2023**	**2022**	**2021**	**2020**	**2019**
Contractually Required Contribution	$ 579,271.77	$ 516,943.97	$ 530,288.08	$ 566,222.00	$ 525,652.72
Contributions in Relation to the Contractually Determined Contribution	579,271.77	516,943.97	530,288.08	566,222.00	525,652.72
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 8,407,427.73	$ 8,218,505.15	$ 7,938,444.33	$ 8,476,380.00	$ 8,383,615.95
Contributions as a Percentage of Covered Payroll	6.89%	6.29%	6.68%	6.68%	6.27%

	2018	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 508,598.67	$ 521,983.86	$ 506,041.73	$ 523,285.15	$ 563,184.89
Contributions in Relation to the Contractually Determined Contribution	508,598.67	521,983.86	506,041.73	523,285.15	563,184.89
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 8,406,589.51	$ 8,984,231.59	$ 9,036,459.38	$ 9,531,605.66	$ 10,429,349.85
Contributions as a Percentage of Covered Payroll	6.05%	5.81%	5.60%	5.49%	5.40%

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

Disability Income Plan of North Carolina	**2023**	**2022**	**2021**	**2020**	**2019**
Contractually Required Contribution	$ 8,407.43	$ 7,623.05	$ 7,144.60	$ 8,476.38	$ 11,737.06
Contributions in Relation to the Contractually Determined Contribution	8,407.43	7,623.05	7,144.60	8,476.38	11,737.06
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 8,407,427.73	$ 8,218,505.15	$ 7,938,444.33	$ 8,476,380.00	$ 8,383,615.95
Contributions as a Percentage of Covered Payroll	0.10%	0.09%	0.09%	0.10%	0.14%

	2018	**2017**	**2016**	**2015**	**2014**
Contractually Required Contribution	$ 11,769.23	$ 34,140.08	$ 36,990.72	$ 39,079.58	$ 45,889.14
Contributions in Relation to the Contractually Determined Contribution	11,769.23	34,140.08	36,990.72	39,079.58	45,889.14
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 8,406,589.51	$ 8,984,231.59	$ 9,036,459.38	$ 9,531,605.66	$ 10,429,349.85
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.

Piedmont 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

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, J.D., State Auditor

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

Board of Trustees
Piedmont Community College
Roxboro, 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 Piedmont 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 July 17, 2024. Our report includes a reference to other auditors who audited the financial statements of Piedmont Community College Foundation, Inc. (Foundation), as described in our report on the College's financial statements. The financial statements of the Foundation 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 the Foundation.

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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore, material weaknesses may exist that were not identified.

However, as described in the accompanying Finding, Recommendation, and Response section, we did identify a deficiency in internal control that we consider to be a material weakness.

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*.

College's Response to the Finding

Government Auditing Standards requires us to perform limited procedures on the College's response to the finding identified in our audit and described in the accompanying Finding, Recommendation, and Response section. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the response.

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, J.D.

Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

July 17, 2024

Finding, Recommendation, and Response

Matters Related to Financial Reporting

Inadequate Internal Controls Resulted in Significant Misstatements and Increased the Risk of Fraud and Undetected Errors

College management did not have adequate internal controls to ensure accurate financial reporting.

Auditors tested 67 out of 383 journal entries recorded during the period and found that the College was unable to provide supporting documentation or evidence of review and approval for 39 (58%) of the journal entries. Specifically:

- 17 (25%) journal entries had no supporting documentation.
- 22 (33%) journal entries had no evidence of an independent review and approval.

Inadequate internal controls over financial reporting also resulted in several significant misstatements. Specifically:

- Net position contained the following misstatements because year-end presentation adjustments were not calculated correctly:
  - Restricted net position expendable for capital projects was overstated by $197 thousand and unrestricted net position was understated by the same amount.
  - Restricted net position expendable for student financial aid was understated by $67 thousand and restricted net position expendable for specific programs was overstated by the same amount.
- Capital assets and related accounts contained the following misstatements because of errors and omissions in the implementation of a new accounting standard[1] in the prior year:
  - Buildings (net) were understated by $482 thousand.
  - Machinery and equipment (net) was overstated by $118 thousand.
  - Right-to-use leased buildings (net) were overstated by $74 thousand.
  - Net investment in capital assets was understated by $289 thousand.
  - Beginning net position was understated by $232 thousand.
  - Depreciation/amortization expense was overstated by $57 thousand.
- Restricted cash was understated by $74 thousand because the amount was incorrectly reported as restricted short-term investments.
- Notes from direct borrowings were understated by $74 thousand because the amount was incorrectly reported as a lease payable.
- Sales and services and scholarship and fellowship were understated by $147 thousand due to an incorrect year-end journal entry.
- Additional audit adjustments were required to correct misstatements in the financial statements, notes to the financial statements, and required supplementary information.

[1] Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during the fiscal year ended June 30, 2022.

If these errors had not been identified and corrected, financial statement users would have been misinformed about the College's financial condition or operating results. In addition, College management could have made financial decisions based on unreliable or incomplete information.

There is also an increased risk that:

- Fraud could occur and go undetected.
- Audit costs could continue to increase, resulting in the diversion of resources otherwise available to College management for use towards its principal purpose.

The financial reporting errors occurred because College management:

- Did not adequately address the loss of institutional knowledge and expertise due to significant financial reporting staff turnover in recent years.
- Did not design and implement year-end procedures, including retention requirements for supporting documentation, related to the preparation and review of the financial statements prior to submission for audit.

North Carolina General Statutes[2] require that College management establish and maintain a proper system of internal controls in accordance with the standards established by the North Carolina Office of the State Controller. Included in those standards is the Committee of Sponsoring Organizations (COSO) *Internal Control - Integrated Framework*[3] which establishes objectives for the preparation of financial reporting for use by the entity, stakeholders, and other external parties.

Recommendation: College management should provide resources to ensure:

- Staff are adequately trained to perform year-end financial reporting.
- A year-end plan is designed and implemented that would allow for a thorough review of the financial statements and related information to ensure accurate and complete year-end financial reporting.
- Policies and procedures are implemented that require the retention of documentation supporting the financial statements and underlying accounting transactions.
- Contingency plans are implemented to meet financial reporting objectives during periods impacted by staff turnover.

College's Response: See pages 56-57 for the College's response to this finding.

[2] Chapter 143D, Article 2.
[3] Committee of Sponsoring Organizations, *Internal Control - Integrated Framework*, May 2013.

PIEDMONT
COMMUNITY COLLEGE

OFFICE OF THE PRESIDENT

June 19, 2024

The Honorable Jessica N. Holmes, J.D., State Auditor
Office of the State Auditor
20601 Mail Service Center
Raleigh, North Carolina 27699

Dear Auditor Holmes:

Please see below the response of Piedmont Community College to the State Auditor's audit findings and recommendations.

OSA Finding

Inadequate Internal Controls Resulted in Significant Misstatements and Increased the Risk of Fraud and Undetected Errors

OSA Recommendations

College management should provide resources to ensure:

- Staff are adequately trained to perform year-end financial reporting.
- A year-end plan is designed and implemented that would allow for a thorough review of the financial statements and related information to ensure accurate and complete year-end financial reporting.
- Policies and procedures are implemented that require the retention of documentation supporting financial statements and underlying accounting transactions.
- Contingency plans are implemented to meet financial reporting objectives during periods impacted by staff turnover.

College Response

Piedmont Community College concurs with the finding and recommendations made by the State Auditor's Office. The college's business office has been subject to a significant turnover in the last few years, and we agree that the financial reporting errors occurred due to the loss of institutional knowledge and expertise from this staff turnover. The College is taking steps to

The Honorable Jessica N. Holmes, J.D. State Auditor
Page 2

hire new personnel with the needed knowledge, skills, and experience to better address the challenges the college has experienced in recent years.

The following corrective actions will ensure adequate controls and prevent future errors.

1. The Chief Financial Officer will develop a comprehensive and structured professional development plan that will include contingencies for when positions become vacant. This plan will include cross training of personnel to ensure that all accounting duties are covered during periods impacted by staff turnover and training on year-end financial reporting and other accounting topics. Each year key personnel will attend training on year-end financial reporting and GASB regulations offered by the Association of Community College Business Officials Finance Institute. The creation of the development plan and cross training of key personnel will be completed by December 31, 2024. Financial statement preparation training for key personnel will be completed by June 30th, 2025.
2. The Chief Financial Officer will ensure that all Business office procedures are reviewed annually and are being followed by business office staff. These procedures include proper record keeping and the retention of all supporting documentation for accounting transactions. Reviews have been completed, are ongoing, and will continue on a consistent basis.
3. The Chief Financial Officer will review and approve all year-end adjusting journal entries, financial statements, exhibits, and notes. Reviews and approvals have been completed, are ongoing, and will continue.
4. The Chief Financial Officer will develop a detailed financial statement preparation plan and checklist that will be reviewed and updated annually to align with any changes in regulations, standards and reporting requirements. Standard Operating Procedures for each item on the financial reporting plan and checklist will be developed and the plan and checklist with assigned duties will be reviewed with all Business Office staff before any year-end duties begin. For FY2024 this preparation plan and checklist will be completed by June 30th, 2024, and subsequently updated on a continuous basis.

Piedmont Community College is committed to maintaining the highest standards of financial reporting integrity. We appreciate the Office of State Auditor's recommendation and will implement the necessary changes and enhancements to prevent misstatements in the future.

Sincerely,

Dr. Pamela G. Senegal
President

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your hometown COLLEGE

Ordering Information

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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Internet: 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

This audit required 650 hours at an approximate cost of $88,400.