

Isothermal Community College

Spindale, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2024

A Component Unit of the State of North Carolina

UNBIASED. IMPACTFUL. IRREFUTABLE.



A Department of the
State of North Carolina





North Carolina Office of the State Auditor

Dave Boliek, State Auditor

Auditor's Transmittal

The Honorable Josh Stein, Governor
Honorable Members of the North Carolina General Assembly
Board of Trustees, Isothermal Community College
Dr. Margaret Annunziata, President

Sitting in the foothills of Western North Carolina, Isothermal Community College saw firsthand what Hurricane Helene did to the region. I'm grateful for Isothermal's efforts in helping provide relief and recognize the burden the storm likely brought to day-to-day management of finances.

Through financial audits of universities and colleges, the North Carolina Office of the State Auditor assesses whether the records prepared by schools are materially correct. Our audit of Isothermal Community College's financial records shows no material errors for the year ended June 30, 2024. The audited statements make for a clean opinion and can be relied upon by management.

I'd offer my thanks to Isothermal Community College for their assistance in preparing our audit report and wish the Board and President all the best in the upcoming year.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dave Boliek".

Dave Boliek
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

Dave Boliek, State Auditor

Independent Auditor's Report

Board of Trustees
Isothermal Community College
Spindale, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Isothermal Community College (College), a component unit of the State of North Carolina, and its discretely presented component units, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of Isothermal Community College, and its discretely presented component units, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Isothermal Community College Foundation, Inc. nor Polk County Campus I.C.C. Foundation, Inc., the College's discretely presented component units. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

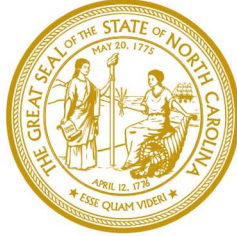
In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2025 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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.



Dave Boliek
State Auditor

Raleigh, North Carolina

January 28, 2025



Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Isothermal Community College (College) for the year ended June 30, 2024. Isothermal Community College, located in Spindale, North Carolina, is a member of the North Carolina Community College System and serves the markets of Rutherford and Polk Counties. The following financial statements, notes to the financial statements, and required supplementary information comprise the complete set of financial information and should be considered together.

Using the Financial Statements

The College's financial report includes three financial statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. These financial statements are prepared under the accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) principles. The College's financial activity is considered to be a single business-type activity and accordingly, is reported within a single column on the basic financial statements.

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

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. 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.

Statement of Net Position

The Statement of Net Position presents a fiscal snapshot of the College as of June 30, 2024, and includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the College. The statement also includes the difference between total assets and deferred outflows of resources less total liabilities and deferred inflows of resources (net position) which is an indicator of whether the overall financial condition has improved or worsened. 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.

This statement also provides information on assets available to continue operations, liabilities due to outside parties, and the net position available for expenditure by the College. Items on the Statement of Net Position are generally measured using current values, with the exception of capital assets which are stated at historical cost less accumulated depreciation and amortization. A summarized comparison of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2024 and 2023 are as follows:

Condensed Statement of Net Position

	2024	2023	Increase/ (Decrease)
Assets			
Current Assets	\$ 5,901,557.19	\$ 6,336,355.76	\$ (434,798.57)
Noncurrent Assets			
Capital Assets, Net	28,242,848.82	28,342,579.98	(99,731.16)
Other Noncurrent Assets	17,435,685.87	15,580,845.75	1,854,840.12
Total Assets	<u>51,580,091.88</u>	<u>50,259,781.49</u>	<u>1,320,310.39</u>
Total Deferred Outflows of Resources	<u>9,716,550.00</u>	<u>7,642,175.00</u>	<u>2,074,375.00</u>
Liabilities			
Current Liabilities	1,155,819.61	1,400,228.89	(244,409.28)
Long-Term Liabilities	<u>25,588,547.64</u>	<u>21,878,381.16</u>	<u>3,710,166.48</u>
Total Liabilities	<u>26,744,367.25</u>	<u>23,278,610.05</u>	<u>3,465,757.20</u>
Total Deferred Inflows of Resources	<u>4,728,625.35</u>	<u>6,664,761.00</u>	<u>(1,936,135.65)</u>
Net Position			
Net Investment in Capital Assets	27,745,623.06	27,931,440.79	(185,817.73)
Restricted - Nonexpendable	2,563,074.88	2,340,176.83	222,898.05
Restricted - Expendable	17,473,764.92	15,644,156.19	1,829,608.73
Unrestricted	<u>(17,958,813.58)</u>	<u>(17,957,188.37)</u>	<u>(1,625.21)</u>
Total Net Position	<u>\$ 29,823,649.28</u>	<u>\$ 27,958,585.44</u>	<u>\$ 1,865,063.84</u>

Current assets decreased by \$434,798.57 and consist primarily of cash, receivables expected to be collected within one-year, prepaid items, and inventories. Accounts receivable decreased by \$253,377.81 due primarily to the collection of a \$136,347.44 prior year receivable from the US Department of Agriculture for the Covered Riding Arena. Current restricted cash also decreased from the prior year, primarily due to the reduction in capital-related payables described below. These decreases were partially offset by a new lease receivable recorded during the period which increased current assets by \$89,540.39. Additional information about this lease receivable is available in the Note 9.

Other noncurrent assets consist of cash not expected to be used within one year, amounts due from the State of North Carolina for capital projects, endowment investments held in the Lee L. Powers Scholarship Account and the Mildred Furches Scholarship Group Account, and the portion of lease receivables not expected to be collected within one year. The increase in other noncurrent assets is driven by a \$1,121,683.18 increase in endowment investments due to favorable market conditions and increased investment earnings. The noncurrent portion of lease receivables discussed above also increased other noncurrent assets by \$97,454.96. See the Statement of Revenues, Expenses, and Changes in Net Position section for additional information regarding investment activity.

Net capital assets decreased by \$99,731.16, as additions totaling \$1,361,076.86 were offset by net disposals of \$27,173.65, and depreciation and amortization charges of \$1,433,634.37. A further analysis of this activity is provided under the Capital Assets section within this report.

Deferred outflows of resources include activity related to pension and other postemployment benefits (OPEB) plans. Deferred outflows for pensions and OPEB increased by \$632,885.00 and \$1,441,490.00, respectively, due to changes in actuarial valuations of the plans. See Notes 13 and 14 for further details regarding deferred outflows related to pensions and OPEB, respectively.

Current liabilities decreased by \$244,409.28 and are comprised of accounts payable, accrued compensation, unearned revenue, and the current portion of long-term liabilities. Accounts payable for capital projects decreased by \$167,261.50 due to the completion of the Covered Riding Arena building. The current portion of long-term liabilities decreased by \$82,007.33 due to a prior year subscription liability being fulfilled during the current fiscal year.

Long-term liabilities include compensated absences not expected to be used within the next year, lease and subscription (SBITA) liabilities not due within the next year, and net pension and net OPEB liabilities which are the College's pro-rata share of the present value of projected benefit payments to be provided through the Teachers' and State Employees' Retirement System (TSERS) and OPEB plans. The net pension and net OPEB liabilities increased by \$1,394,570.00 and \$2,329,673.00, respectively, due to changes in actuarial valuations of the plans. See Note 8 for additional information regarding long-term liabilities.

Deferred inflows of resources related to OPEB plans decreased by \$2,001,606.00 as a result of changes to actuarial valuations. See Note 14 for additional information regarding deferred inflows related to OPEB plans.

Net position represents the residual interest in the College's assets and deferred outflows of resources after all liabilities and deferred inflows of resources are deducted. For reporting purposes, they are divided into four categories: net investment in capital assets, restricted nonexpendable, restricted expendable, and unrestricted net position. See Note 1N for detailed descriptions of the components of net position. Restricted expendable net position increased by \$1,829,608.73 primarily due to the increase in endowment investments described above. There were no other significant changes in the College's net position as compared to the prior year.

Statement of Revenues, Expenses, and Changes in Net Position

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

Operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are used to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided in return (e.g., state aid and investment income). The following is a condensed Statement of Revenues, Expenses, and Changes in Net Position for the College for the year ended June 30, 2024 and 2023:

Management's Discussion and Analysis

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

	2024	2023	Increase/ (Decrease)
Operating Revenues:			
Student Tuition and Fees, Net	\$ 655,761.99	\$ 605,113.43	\$ 50,648.56
Sales and Services, Net	1,403,372.18	1,277,364.44	126,007.74
Total Operating Revenues	2,059,134.17	1,882,477.87	176,656.30
Operating Expenses:			
Salaries and Benefits	17,368,287.12	14,711,438.92	2,656,848.20
Supplies and Services	5,243,070.96	7,068,133.46	(1,825,062.50)
Scholarships and Fellowships	2,742,485.22	2,443,957.87	298,527.35
Utilities	776,856.47	722,656.05	54,200.42
Depreciation/Amortization	1,433,634.37	1,232,488.62	201,145.75
Total Operating Expenses	27,564,334.14	26,178,674.92	1,385,659.22
Operating Loss	(25,505,199.97)	(24,296,197.05)	(1,209,002.92)
Nonoperating Revenues (Expenses):			
State Aid	13,195,287.25	12,465,633.07	729,654.18
County Appropriations	3,164,430.00	2,947,969.46	216,460.54
Student Financial Aid	4,503,106.18	3,952,532.60	550,573.58
Federal Aid - COVID-19	294,771.89	526,857.08	(232,085.19)
Noncapital Contributions, Net	2,597,763.21	3,265,563.59	(667,800.38)
Investment Income, Net	1,897,188.16	1,401,458.53	495,729.63
Interest and Fees on Debt	(32,586.25)	(10,430.76)	(22,155.49)
Other Nonoperating Expenses	(19,869.72)	(124,153.77)	104,284.05
Net Nonoperating Revenues	25,600,090.72	24,425,429.80	1,174,660.92
Income Before Other Revenues	94,890.75	129,232.75	(34,342.00)
Other Revenues:			
State and County Capital Aid	1,326,564.63	2,587,234.80	(1,260,670.17)
Capital Contributions	443,608.46	1,873,664.28	(1,430,055.82)
Increase in Net Position	1,865,063.84	4,590,131.83	(2,725,067.99)
Net Position, Beginning	27,958,585.44	23,368,453.61	4,590,131.83
Net Position, Ending	\$ 29,823,649.28	\$ 27,958,585.44	\$ 1,865,063.84
Reconciliation of Changes in Net Position			
Total Revenues	\$ 29,481,853.95	\$ 30,903,391.28	\$ (1,421,537.33)
Less: Total Expenses	27,616,790.11	26,313,259.45	1,303,530.66
Changes in Net Position	\$ 1,865,063.84	\$ 4,590,131.83	\$ (2,725,067.99)

The major components of operating revenues are tuition and fees collected from students and revenues generated from auxiliary operations such as the campus bookstore and the public radio station (sales and services, net). As a result of increased enrollment, student tuition and fees (net) increased by \$50,648.56 with gross curriculum revenue increasing by \$180,421.83 or 8.3%; gross occupational education revenue increasing by \$4,725.00 or 5.6%; and student fees increasing by \$55,610.98 and 14.9%. These increases were offset by an increase of \$277,197.00 in scholarship discounts as described in Note 10.

Sales and services (net) is comprised of revenues generated from the College's bookstore, public radio station (WNCW-FM), Performing Arts Center, and other similar activities. Enrollment increases have impacted bookstore revenues, which increased by \$66,345.16. In addition, underwriting and other revenues generated by WNCW-FM increased by \$29,800.61.

Total operating expenses increased \$1,385,659.22 or 5.3%. Salaries and benefits increased by \$2,656,848.20 or 18.1%, primarily due to a combined \$2,467,648.00 increase in pension and OPEB expenses as discussed in Notes 13 and 14, respectively. Supplies and services decreased by \$1,825,062.50 or 25.8%; primarily due to \$1,993,275.56 in prior year expenses for roof and HVAC system replacements that are considered maintenance and are expensed rather than capitalized. Scholarships and fellowships increased by \$298,527.35 or 12.2%, due primarily to enrollment increases over the prior year.

Nonoperating revenues consist of aid from the State of North Carolina, Rutherford and Polk Counties, student financial aid, grants, contributions and investment income. State and county aid remained stable with increases of 5.8% and 7.3%, respectively. Student financial aid revenues increased by \$550,573.58 or 13.9% as a result of increased enrollment. Federal COVID-19 aid decreased by \$232,085.19 due to the pandemic-related programs nearing their completion.

The College had net investment income of \$1,897,188.16 for the year, an increase of \$495,729.63 from the previous period as a result of improved market conditions and resulting returns. These revenues consisted of interest and dividends totaling \$539,387.34; realized gains totaling \$207,547.30; and unrealized gains of \$1,202,187.06. Investment management fees totaling \$51,933.54 were netted against investment income.

Other revenues include capital aid received from the State in the amount of \$1,024,944.17; of this total, \$430,490.97 was used for equipment purchases and \$634,453.20 for construction and renovation projects. Capital aid of \$301,620.46 was received from Rutherford County to fund repair and renovation projects as well as equipment purchases. Capital contributions include \$311,559.55 received from federal agencies for equipment purchases and \$92,048.91 from the U.S. Department of Agriculture for the Covered Riding Arena project. The decreases in state capital aid and other capital contributions were due to the completion of various construction, repair, and renovation projects discussed above and below.

Capital Assets

The College's capital assets are comprised of both nondepreciable and depreciable assets. Nondepreciable assets include land, the Andrew Major Art Collection, and construction in progress. Depreciable assets include buildings, machinery and equipment, general infrastructure, and right-to-use leased and subscription assets. The College reported total capital assets of \$28,242,848.82 for the current period, a decrease of \$99,731.16 from the prior year. Current year additions include the Covered Riding Arena building that was completed at a cost of \$746,478.97; machinery and equipment totaling \$929,333.53; and \$198,145.97 in new right-to-use subscription assets. These additions were offset by net disposals of \$27,173.65 and current-year depreciation and amortization expenses totaling \$1,433,634.37.

Economic Forecast

The College's ability to carry out its mission and maintain a solid financial foundation is directly influenced by state, federal, county, and local support, student enrollment, as well as the availability of financial aid for students. The State of North Carolina provides the majority of funding for the College through current operating and capital allocations. Most of the funding

the College receives from the State is based upon enrollment. The College's state funding for fiscal year 2025 is expected to increase as compared to the current period due to enrollment increases. The College has implemented several initiatives over the past few years to attract students and better serve our communities. These initiatives include the hiring of a full-time recruiter, and the implementation of our Be Great in 8 initiative, in which the College offers most courses in an eight week format which we believe provides several benefits to students that lead to better student success in individual classes and program completion. In addition, the College has reviewed our program offerings, and has requested and received grants from federal, state and private sources to implement new programs such as Mechatronics and Dental Hygiene. Education continues to be recognized as an investment in North Carolina's future and the role of community colleges is viewed as critical in the preparation of a well-trained workforce.

County appropriations provide funding for the operation and maintenance of college facilities. The level of support the College receives from Rutherford and Polk Counties is critical to its mission and directly impacts the ability to maintain and improve facilities. County appropriations increased approximately 4.1% in fiscal year 2025 due to increases in minimum wages, as well as benefits and supply cost increases.

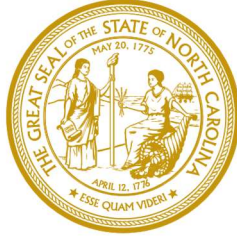
Planning and early site work continues on the new Health & Sciences Building to be constructed on the Spindale campus. This new facility is funded by a \$30 million appropriation from the North Carolina General Assembly and an additional \$2 million in private support for a total budget of \$32 million. The College is targeting a fall 2026 completion date for this project, which we anticipate will result in the growth of multiple Health & Public Services programs.

On September 27, 2024, Hurricane Helene impacted many parts of Western North Carolina. While media reports showed extensive damage in the area, the College campus did not suffer significant damage. Classes and nonessential campus operations were both suspended for ten days. The campus resumed both normal business operations and classes on October 7, 2024.

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

Contacting the College's Financial Management

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



Financial Statements

Isothermal Community College
Statement of Net Position
June 30, 2024

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 2,559,425.53
Restricted Cash and Cash Equivalents	2,645,472.66
Restricted Short-Term Investments	98,340.52
Receivables, Net (Note 5)	198,604.44
Inventories	305,940.96
Prepaid Items	4,232.69
Lease Receivable	89,540.39
	<hr/>
Total Current Assets	5,901,557.19

Noncurrent Assets:

Restricted Cash and Cash Equivalents	830,770.86
Restricted Due from Primary Government	9,000.00
Endowment Investments	16,498,460.05
Lease Receivable	97,454.96
Capital Assets - Nondepreciable (Note 6)	1,590,222.19
Capital Assets - Depreciable, Net (Note 6)	26,652,626.63
	<hr/>
Total Noncurrent Assets	45,678,534.69

Total Assets	<hr/> 51,580,091.88
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	6,032,218.00
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	3,684,332.00
	<hr/>
Total Deferred Outflows of Resources	9,716,550.00

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	662,299.05
Unearned Revenue	253,806.38
Funds Held for Others	85,103.54
Long-Term Liabilities - Current Portion (Note 8)	154,610.64
	<hr/>
Total Current Liabilities	1,155,819.61

Noncurrent Liabilities:

Long-Term Liabilities (Note 8)	<hr/> 25,588,547.64
Total Liabilities	<hr/> 26,744,367.25

Isothermal Community College
Statement of Net Position
June 30, 2024

Exhibit A-1
Page 2 of 2

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	115,921.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	4,425,709.00
Deferred Inflows for Leases	<u>186,995.35</u>
Total Deferred Inflows of Resources	<u>4,728,625.35</u>

NET POSITION

Net Investment in Capital Assets	27,745,623.06
Restricted:	
Nonexpendable:	
Student Financial Aid	2,436,398.05
Other	<u>126,676.83</u>
Total Restricted-Nonexpendable Net Position	<u>2,563,074.88</u>
Expendable:	
Student Financial Aid	14,927,374.33
Restricted for Specific Programs	1,675,231.54
Capital Projects	635,855.28
Other	<u>235,303.77</u>
Total Restricted-Expendable Net Position	<u>17,473,764.92</u>
Unrestricted	<u>(17,958,813.58)</u>
Total Net Position	<u>\$ 29,823,649.28</u>

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

***Isothermal Community College
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2024***

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 11)	\$ 655,761.99
Sales and Services, Net (Note 11)	1,403,372.18
	<hr/>
Total Operating Revenues	2,059,134.17

OPERATING EXPENSES

Salaries and Benefits	17,368,287.12
Supplies and Services	5,243,070.96
Scholarships and Fellowships	2,742,485.22
Utilities	776,856.47
Depreciation/Amortization	1,433,634.37
	<hr/>
Total Operating Expenses	27,564,334.14
	<hr/>
Operating Loss	(25,505,199.97)

NONOPERATING REVENUES (EXPENSES)

State Aid	13,195,287.25
County Appropriations	3,164,430.00
Student Financial Aid	4,503,106.18
Federal Aid - COVID-19	294,771.89
Noncapital Contributions, Net (Note 11)	2,597,763.21
Investment Income (Net of Investment Expense of \$51,933.54)	1,897,188.16
Interest and Fees on Debt	(32,586.25)
Other Expenses	(19,869.72)
	<hr/>
Net Nonoperating Revenues	25,600,090.72

Income Before Other Revenues	<hr/> 94,890.75
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State Capital Aid	1,024,944.17
County Capital Aid	301,620.46
Capital Contributions	443,608.46
	<hr/>

Total Other Revenues	1,770,173.09
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Increase in Net Position	1,865,063.84
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NET POSITION

Net Position - July 1, 2023	<hr/> 27,958,585.44
Net Position - June 30, 2024	<hr/> <hr/> \$ 29,823,649.28

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

Isothermal Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 2,082,218.98
Payments to Employees and Fringe Benefits	(17,911,355.02)
Payments to Vendors and Suppliers	(6,028,039.59)
Payments for Scholarships and Fellowships	(2,701,958.77)
Other Receipts	<u>20,235.35</u>
Net Cash Used by Operating Activities	<u>(24,538,899.05)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid	13,195,287.25
County Appropriations	3,164,430.00
Student Financial Aid	4,501,257.18
Federal Aid - COVID-19	294,771.89
Noncapital Contributions	<u>2,625,665.71</u>
Total Cash Provided by Noncapital Financing Activities	<u>23,781,412.03</u>

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

State Capital Aid	1,025,051.36
County Capital Aid	301,620.46
Capital Contributions	588,569.90
Proceeds from Sale of Capital Assets	5,606.93
Proceeds from Lease Arrangements	1,324.55
Acquisition and Construction of Capital Assets	(1,330,192.39)
Principal Paid on Lease/Subscription Liabilities	(214,389.01)
Interest and Fees Paid on Lease/Subscription Liabilities	<u>(32,586.25)</u>
Net Cash Provided by Capital Financing and Related Financing Activities	<u>345,005.55</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	750,050.00
Investment Income	538,062.79
Purchase of Investments and Related Fees	<u>(609,272.88)</u>
Net Cash Provided by Investing Activities	<u>678,839.91</u>
Net Increase in Cash and Cash Equivalents	266,358.44
Cash and Cash Equivalents - July 1, 2023	<u>5,769,310.61</u>
Cash and Cash Equivalents - June 30, 2024	<u><u>\$ 6,035,669.05</u></u>

Isothermal Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (25,505,199.97)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	1,433,634.37
Other Nonoperating Income	1,697.00
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	60,556.22
Inventories	(4,300.14)
Prepaid Items	1,151.08
Deferred Outflows Related to Pensions	(632,885.00)
Deferred Outflows Related to Other Postemployment Benefits	(1,441,490.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(15,540.19)
Unearned Revenue	3,427.49
Funds Held for Others	19,862.90
Net Pension Liability	1,394,570.00
Net Other Postemployment Benefits Liability	2,348,589.00
Compensated Absences	(79,840.81)
Deferred Inflows Related to Pensions	(121,525.00)
Deferred Inflows Related to Other Postemployment Benefits	(2,001,606.00)
Net Cash Used by Operating Activities	<u>\$ (24,538,899.05)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$ 300,475.58
Change in Fair Value of Investments	1,202,187.06
Loss on Disposal of Capital Assets	(21,566.72)
Increase in Receivables Related to Nonoperating Revenues	2,095.75
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(18,916.00)

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

***Isothermal Community College Foundations
Statements of Financial Position
June 30, 2024***

Exhibit B-1

	<u>Isothermal Community College Foundation, Inc.</u>	<u>Polk County Campus I.C.C. Foundation, Inc.</u>
ASSETS		
Without Donor Restrictions:		
Cash and Cash Equivalents	\$ 34,636	\$ 6,892
Investment in Polk County Community Foundation Investments	498,159	40,560
Total Assets Without Donor Restrictions	<u>532,795</u>	<u>47,452</u>
With Donor Restrictions:		
Cash and Cash Equivalents	488,814	18,226
Investments in Polk Community Foundation Investments	2,757,394	121,043
Total Assets with Donor Restrictions	<u>3,246,208</u>	<u>139,269</u>
Total Assets	<u>\$ 3,779,003</u>	<u>\$ 186,721</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS		
Without Donor Restrictions:		
Undesignated	532,795	47,452
With Donor Restrictions	<u>3,246,208</u>	<u>139,269</u>
Total Net Assets	<u>3,779,003</u>	<u>186,721</u>
Total Liabilities and Net Assets	<u>\$ 3,779,003</u>	<u>\$ 186,721</u>

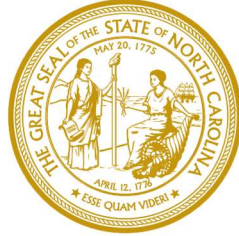
The accompanying notes to the financial statements are an integral part of this statement.

***Isothermal Community College Foundations
Statements of Activities
For the Fiscal Year Ended June 30, 2024***

Exhibit B-2

	Isothermal Community College Foundation, Inc.	Polk County Campus I.C.C. Foundation, Inc.
SUPPORT AND REVENUE		
Contributions	\$ 367,870	\$ 12,547
Contributions of Non-Financial Assets	3,801	14,543
Grants and Fundraising Events	354,750	2,835
Interest and Investment Earnings, Net	84,874	25,592
Realized Losses on Investments	(27,486)	(4,354)
Unrealized Gains on Investments	252,733	27,582
	<hr/>	<hr/>
Total Revenue and Support	1,036,542	78,745
OPERATING EXPENSES		
Program Expenses:		
Scholarships	51,044	16,032
Performing Arts Support	125,000	-
Employee Professional Development and Awards	3,500	-
Mentoring	8,129	-
In-Kind Expenses	990	-
College Support	151,496	1,396
	<hr/>	<hr/>
Total Expenses	340,159	17,428
Support Expenses:		
Contributed Nonfinancial Assets	2,811	-
Fundraising Expenses	21,469	-
Management and General	41,232	26,566
	<hr/>	<hr/>
Total Support Expenses	65,512	26,566
Total Expenses	<hr/>	<hr/>
	405,671	43,994
Transfers Between Foundations	309,545	(309,545)
Change in Net Assets	940,416	(274,794)
NET ASSETS		
Net Assets at Beginning of Year	<hr/>	<hr/>
	2,838,587	461,515
Net Assets at End of Year	<hr/>	<hr/>
	\$ 3,779,003	\$ 186,721

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



Notes to the Financial Statements

Note 1 - Significant Accounting Policies

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Isothermal Community College (College) is a component unit of the State of North Carolina and an integral part of the State's *Annual Comprehensive Financial Report*.

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

Discretely Presented Component Units - Isothermal Community College Foundation, Inc. (Foundation) and Polk County Campus I.C.C Foundation, Inc. (PCC ICC Foundation) are legally separate, nonprofit corporations and are reported as discretely presented component units based on the nature and significance of their relationship to the College.

The Foundation and the PCC ICC Foundation act primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 35 members and the PCC ICC Foundation board consists of 7 members. Although the College does not control the timing or amount of receipts from either foundation, the majority of resources, or income thereon, that the foundations hold and invest are restricted to the activities of the College by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of the College, both foundations are considered component units of the College and are reported in separate financial statements because of the difference in their reporting model, as described below.

Both Foundations are private nonprofit organizations that report their financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to their financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2024, the Foundation distributed \$320,718.00 to or on behalf of the College for both restricted and unrestricted purposes, and the PCC ICC Foundation distributed \$14,153.00 to the College for both restricted and unrestricted purposes. In June 2024 the Foundation and the PCC ICC Foundation boards voted to merge their operations. This merger of assets began in June 2024 and was completed in fiscal year 2025. See Note 19 for further information regarding the merging of the foundations. Complete financial statements for the component units can be obtained from the College Controller's office at PO Box 804, Spindale, NC 28160 or by calling (828) 395-1492.

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

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

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

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

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

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

F. Receivables - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

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. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year but are individually below the \$5,000 threshold may be capitalized if deemed material.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10-62 years
Machinery and Equipment	5-42 years
General Infrastructure	15-75 years

Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease liabilities are capitalized as a right-to-use asset when the underlying leased asset has a cost of \$10,000 or greater and an estimated useful life of more than one year. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of \$100,000 or greater and an estimated useful life of more than one year.

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

- I. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources whose use is limited by external parties or statute, and endowment and other restricted investments.
- J. Accounting and Reporting of Fiduciary Activities** - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.

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

- K. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Long-term liabilities include: a lease liability, subscription liabilities, compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2023 *Annual Comprehensive Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 13 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the College's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2023 *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 14 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

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

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

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

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

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

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

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

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 10 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

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

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

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

- Q. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as the campus bookstore, public radio station, and performing arts center. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- R. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use by the College.

Note 2 - Deposits and Investments

- A. Deposits** - The College is required by North Carolina General Statute 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with North Carolina General Statute 115D-58.7. Official depositories may be established with any bank, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2024 was \$1,560.00. The carrying amount of the College's deposits not with the State Treasurer was \$3,727,851.65, and the bank balance was \$4,240,465.18.

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, 2024, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

B. Investments

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

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

At June 30, 2024, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$2,306,257.40, 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 1.4 years as of June 30, 2024. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

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

The following table presents the investments by type and investments subject to interest rate risk at June 30, 2024, for the College's investments. Interest rate risk is defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures - An Amendment of GASB Statement No. 3*, as the risk a government may face should interest rate variances affect the value of investments. The College does not have a formal investment policy that addresses interest rate risk.

Investments

Investment Type	Amount	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
Debt Securities					
U.S. Treasuries	\$ 14,000.00	\$ -	\$ 14,000.00	\$ -	\$ -
Debt Mutual Funds	4,799,298.31	249,943.42	1,496,776.73	773,471.93	2,279,106.23
Money Market Mutual Funds	95,340.52	95,340.52	-	-	-
Total Debt Securities	4,908,638.83	\$ 345,283.94	\$ 1,510,776.73	\$ 773,471.93	\$ 2,279,106.23
Other Securities					
Balanced Mutual Funds	953,426.24				
Equity Mutual Funds - Domestic	6,884,142.32				
Equity Mutual Funds - International	3,165,316.05				
Alternative Strategy Fund	682,277.13				
Investment in Real Estate	3,000.00				
Total Investments	\$ 16,596,800.57				

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College does not have a formal policy that addresses credit risk. As of June 30, 2024, the College's investments were rated as follows:

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and below	Unrated
Debt Mutual Funds	\$ 4,799,298.31	\$ 2,216,552.02	\$ 318,773.64	\$ 192,544.15	\$ 513,337.25	\$ 1,283,926.07	\$ 274,165.18
Money Market Mutual Fund	95,340.52	95,340.52	-	-	-	-	-
Totals	\$ 4,799,298.31	\$ 2,216,552.02	\$ 318,773.64	\$ 192,544.15	\$ 513,337.25	\$ 1,283,926.07	\$ 274,165.18

Rating Agency: Standard & Poors

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

	Foundation	PCC ICC Foundation
Money Market Fund	\$ 95,198	\$ -
Mutual Funds	3,160,355	-
Polk County Community Foundation, Inc.	-	161,603
Total Investments	\$ 3,255,553	\$ 161,603

Note 3 - Fair Value Measurements

College - To the extent available, the College's investments are recorded at fair value as of June 30, 2024. 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, 2024:

	Fair Value Measurements Using			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Debt Securities				
U.S. Treasuries	\$ 14,000.00	\$ 14,000.00	\$ -	\$ -
Debt Mutual Funds	4,799,298.31	4,799,298.31	-	-
Money Market Mutual Fund	95,340.52	95,340.52	-	-
Total Debt Securities	4,908,638.83	4,908,638.83	-	-
Other Securities				
Balanced Mutual Fund	953,426.24	953,426.24	-	-
Equity Mutual Funds - Domestic	6,884,142.32	6,884,142.32	-	-
Equity Mutual Funds - International	3,165,316.05	3,165,316.05	-	-
Alternative Mutual Funds	682,277.13	682,277.13	-	-
Investment in Real Estate	3,000.00	-	-	3,000.00
Total Investments by Fair Value Level	16,596,800.57	\$ 16,593,800.57	\$ -	\$ 3,000.00
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	2,306,257.40			
Total Investments Measured at Fair Value	\$ 18,903,057.97			

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

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

Investment in Real Estate - The investment in real estate classified in Level 3 of the fair value hierarchy is valued by comparing the value to the county tax value.

Component Units - FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level I - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.

Level II - Inputs to the valuation methodology include:

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

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

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

The asset 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Fair Values Measured on a Recurring Basis

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

	<u>Level I</u>
Foundation	
Money Market Fund	\$ 95,198
Mutual Funds	<u>3,160,355</u>
Total	<u>\$ 3,255,553</u>
PCC ICC Foundation	
Polk County Community Foundation, Inc.	
Money Market Funds	\$ 20,280
Equity	101,329
Fixed Income	<u>39,994</u>
Total	<u>\$ 161,603</u>

Investment accounts of money market funds and mutual funds are recorded to fair value based on current quoted market prices provided by investment custodians or other models.

Note 4 - Endowment Investments

Investments of the College’s endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. Annual payouts from the College’s endowment funds are based on an adopted spending policy, which allows expenditure of 5.5% of a trailing three year average of the College Endowment’s total asset value. During fiscal year 2024 \$778,733 was available to be spent, of which \$89,489.00 was classified in net position as restricted nonexpendable for student financial aid and \$689,244.00 was classified in net position as restricted expendable for student financial aid as it is restricted for specific purposes.

Note 5 - Receivables

Receivables at June 30, 2024, were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$290,262.63	\$ 277,893.71	\$ 12,368.92
Student Sponsors	14,108.25	-	14,108.25
Accounts	149,218.25	38,581.76	110,636.49
Intergovernmental	55,831.98	-	55,831.98
Pledges	10,317.00	5,982.75	4,334.25
Lease Interest Receivable	<u>1,324.55</u>	<u>-</u>	<u>1,324.55</u>
Total Current Receivables	<u>\$521,062.66</u>	<u>\$ 322,458.22</u>	<u>\$198,604.44</u>

Note 6 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2024, is presented as follows:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 1,326,209.44	\$ -	\$ -	\$ 1,326,209.44
Art, Literature, and Artifacts	62,305.00	-	-	62,305.00
Construction in Progress	714,589.36	233,597.36	746,478.97	201,707.75
Total Capital Assets, Nondepreciable	2,103,103.80	233,597.36	746,478.97	1,590,222.19
Capital Assets, Depreciable:				
Buildings	38,476,873.32	746,478.97	-	39,223,352.29
Machinery and Equipment	9,835,662.00	929,333.53	183,654.36	10,581,341.17
General Infrastructure	1,076,424.46	-	-	1,076,424.46
Right-to-Use Leased Building	262,055.86	-	-	262,055.86
Right-to-Use Subscription Assets	229,610.67	198,145.97	-	427,756.64
Total Capital Assets, Depreciable	49,880,626.31	1,873,958.47	183,654.36	51,570,930.42
Less Accumulated Depreciation/Amortization for:				
Buildings	18,992,665.20	796,384.02	-	19,789,049.22
Machinery and Equipment	4,054,100.36	514,485.81	156,480.71	4,412,105.46
General Infrastructure	530,326.44	27,585.16	-	557,911.60
Right-to-Use Leased Building	64,058.13	8,735.20	-	72,793.33
Right-to-Use Subscription Assets	-	86,444.18	-	86,444.18
Total Accumulated Depreciation/Amortization	23,641,150.13	1,433,634.37	156,480.71	24,918,303.79
Total Capital Assets, Depreciable, Net	26,239,476.18	440,324.10	27,173.65	26,652,626.63
Capital Assets, Net	\$28,342,579.98	\$ 673,921.46	\$ 773,652.62	\$28,242,848.82

As of June 30, 2024, the total amount of right-to-use leased and subscription assets was \$262,055.86 and \$427,756.64, and the related accumulated amortization was \$72,793.33 and \$86,444.18, respectively.

The capital asset schedule above includes land and buildings with a cost of \$2,618,177.49 and a carrying value of \$390,601.83 for which the College does not hold title. On April 26, 2017, the College signed a general warranty deed wherein the College deeded two buildings on the main campus to Rutherford County for the purpose of constructing the Applied Sciences and Workforce Development Building. In order for the County to obtain the financing needed to provide the resources for the project, the College transferred titles for the land and buildings to the County for use as collateral until the debt is satisfied, at which time the titles revert back to the College. In addition, on December 15, 2017, in exchange for grant funds received to construct the Applied Sciences and Workforce Development Building, the College covenants to the United States Department of Commerce - Economic Development Administration that the College will not sell, lease, transfer, convey, encumber or mortgage any interest in said building for a period of 20 years.

Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2024, were as follows:

	<u>Amount</u>
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 113,575.10
Accounts Payable - Capital Assets	84,141.80
Accrued Payroll	442,806.10
Contract Retainage	18,187.81
Intergovernmental Payables	<u>3,588.24</u>
Total Current Accounts Payable and Accrued Liabilities	<u>\$ 662,299.05</u>

Note 8 - Long-Term Liabilities

A summary of changes in the long-term liabilities for the year ended June 30, 2024, is presented as follows:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion
Lease Liabilities	\$ 259,860.52	\$ -	\$ 2,075.05	\$ 257,785.47	\$ 2,602.76
Subscription (SBITA) Liabilities	151,278.67	198,145.97	212,313.96	137,110.68	28,487.27
Compensated Absences	1,053,977.94	745,466.56	825,307.37	974,137.13	123,520.61
Net Pension Liability	8,566,940.00	1,394,570.00	-	9,961,510.00	-
Net Other Postemployment Benefits Liability	<u>12,082,942.00</u>	<u>2,329,673.00</u>	<u>-</u>	<u>14,412,615.00</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 22,114,999.13</u>	<u>\$ 4,667,855.53</u>	<u>\$ 1,039,696.38</u>	<u>\$ 25,743,158.28</u>	<u>\$ 154,610.64</u>

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 9.

Additional information regarding the net pension liability is included in Note 13.

Additional information regarding the net other postemployment benefits liability is included in Note 14.

Note 9 - Leases and Subscription-Based Information Technology Arrangements

A. Lessor Arrangement - The College leases manufacturing space to a local manufacturer. The lease expires in May 2025 and has two 1-year renewal options. The College expects the lessor to exercise one of the renewal options. The lease receivable and related deferred inflows of resources are recorded based on the present value of expected receipts over the term of the lease. The expected receipts are discounted using the College's estimated incremental borrowing rate.

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

During the year ended June 30, 2024, the College recognized nonoperating lease interest income totaling \$1,324.55.

Notes to the Financial Statements

The College's lessor arrangement at June 30, 2024, is summarized below (excluding short-term leases):

<u>Classification:</u>	<u>Number of Lease Contracts</u>	<u>Lease Receivable June 30, 2024</u>	<u>Current Portion</u>	<u>Lease Term</u>	<u>Interest Rate</u>
Lessor:					
Building	<u>1</u>	<u>\$ 186,995.35</u>	<u>\$ 89,540.39</u>	6/1/2024 - 5/31/2026	8.50%

- B. Lessee Arrangement** - The College has a lease agreement with an external party for a radio tower. The ten-year lease expires on February 8, 2026 and has four 5-year extensions which the College expects to exercise. The lease liability and right-to-use leased asset 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 College's estimated incremental borrowing rate.

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

The College's lessee arrangement at June 30, 2024, is summarized below (excluding short-term leases):

<u>Classification:</u>	<u>Number of Lease Contracts</u>	<u>Lease Liability June 30, 2024</u>	<u>Current Portion</u>	<u>Lease Term</u>	<u>Interest Rate</u>
Lessee:					
Right-to-Use Leased Building	<u>1</u>	<u>\$ 257,785.47</u>	<u>\$ 2,602.76</u>	3/8/2016 - 2/8/2045	4.00%

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

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

The College's SBITAs at June 30, 2024, are summarized below (excluding short-term SBITAs):

<u>SBITA</u>	<u>Number of SBITAs</u>	<u>Subscription (SBITA) Liabilities June 30, 2024</u>	<u>Current Portion</u>	<u>SBITA Terms</u>	<u>Interest Rate Ranges</u>
Right-to-Use Subscription Assets	<u>2</u>	<u>\$ 137,110.68</u>	<u>\$ 28,487.27</u>	7/18/2023 - 3/31/2029	8.25% - 8.50%

D. Annual Requirements - The annual requirements to pay principal and interest on the lease and SBITAs at June 30, 2024, are as follows:

Fiscal Year	Annual Requirements			
	Lease Liability		Subscription (SBITA) Liabilities	
	Principal	Interest	Principal	Interest
2025	\$ 2,602.76	\$ 10,266.01	\$ 28,487.27	\$ 11,654.41
2026	3,167.49	10,151.70	32,112.94	9,232.99
2027	3,771.28	10,014.08	36,082.91	6,503.39
2028	4,416.28	9,851.56	40,427.56	3,436.34
2029	5,104.77	9,662.46	-	-
2030-2034	37,545.57	44,414.75	-	-
2035-2039	62,791.56	34,551.59	-	-
2040-2044	96,797.84	18,815.29	-	-
2045	41,587.92	1,482.73	-	-
Total Requirements	\$ 257,785.47	\$ 149,210.17	\$ 137,110.68	\$ 30,827.13

Note 10 - Net Position

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (4,045,213.00)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(15,153,992.00)
Effect on Unrestricted Net Position	(19,199,205.00)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	1,240,391.42
Total Unrestricted Net Position	\$ (17,958,813.58)

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

Note 11 - Revenues

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	\$ 4,303,509.74	\$ 3,593,311.26	\$ 54,436.49	\$ 655,761.99
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	\$ 767,885.29	\$ 456,843.22	\$ 4,305.66	\$ 306,736.41
Public Radio Station	877,979.10	-	6,431.88	871,547.22
Performing Arts Center	109,861.26	-	-	109,861.26
Vending	5,153.59	-	-	5,153.59
Rent	20,756.00	-	-	20,756.00
Sales and Services of Education and Related Activities	89,317.70	-	-	89,317.70
Total Sales and Services, Net	\$ 1,870,952.94	\$ 456,843.22	\$ 10,737.54	\$ 1,403,372.18
Nonoperating Revenues:				
Noncapital Contributions, Net	\$ 2,603,745.96	\$ -	\$ 5,982.75	\$ 2,597,763.21

Note 12 - Operating Expenses by Function

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$ 7,721,244.45	\$ 629,589.79	\$ -	\$ -	\$ -	\$ 8,350,834.24
Public Service	936,788.06	627,896.73	-	402.94	-	1,565,087.73
Academic Support	2,429,351.64	257,314.07	-	-	-	2,686,665.71
Student Services	1,729,284.30	248,388.02	-	-	-	1,977,672.32
Institutional Support	3,013,691.07	1,309,992.87	-	-	-	4,323,683.94
Operations and Maintenance of Plant	1,275,083.37	1,464,255.02	-	775,407.93	-	3,514,746.32
Student Financial Aid	-	-	2,742,485.22	-	-	2,742,485.22
Auxiliary Enterprises	262,844.23	705,634.46	-	1,045.60	-	969,524.29
Depreciation/Amortization	-	-	-	-	1,433,634.37	1,433,634.37
Total Operating Expenses	\$ 17,368,287.12	\$ 5,243,070.96	\$ 2,742,485.22	\$ 776,856.47	\$ 1,433,634.37	\$ 27,564,334.14

Note 13 - Pension Plans

Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools

not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with unreduced 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 reduced 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, 2024 was 17.64% of covered payroll. Plan members' contributions to the pension plan were \$650,016.76, and the College's contributions were \$1,911,049.27 for the year ended June 30, 2024.

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 2023 *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 2023 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2024, the College reported a liability of \$9,961,510.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total pension liability to June 30, 2023. 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, 2023, the College's proportion was 0.05975%, which was an increase of 0.00203 from its proportion measured as of June 30, 2022, which was 0.05772%.

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	12/31/2022
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, 2022 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, 2023 (the measurement date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
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, 2023 is 0.78%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2022 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, 2023 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:

<u>Net Pension Liability</u>		
<u>1% Decrease (5.5%)</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
\$ 17,101,578.00	\$ 9,961,510.00	\$ 4,071,185.00

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2024, the College recognized pension expense of \$2,552,116.00. At June 30, 2024, 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
	<u> </u>	<u> </u>
Difference Between Actual and Expected Experience	\$ 812,099.00	\$ 73,523.00
Changes of Assumptions	349,835.00	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,774,280.73	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	184,954.00	42,398.00
Contributions Subsequent to the Measurement Date	<u>1,911,049.27</u>	<u>-</u>
Total	<u><u>\$ 6,032,218.00</u></u>	<u><u>\$ 115,921.00</u></u>

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, 2025. 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
<u> </u>	<u> </u>
2025	\$ 1,291,452.00
2026	748,165.00
2027	1,847,120.00
2028	<u>118,510.73</u>
Total	<u><u>\$ 4,005,247.73</u></u>

Note 14 - Other Postemployment Benefits

The College participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2023 *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 2023 *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 15. 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, 2024 was 7.14% of covered payroll. The College's contributions to the RHBF were \$773,519.94 for the year ended June 30, 2024.

In fiscal year 2022, the Plan transferred \$180.51 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, 2024, the College recognized noncapital contributions for RHBF of \$18,916.00.

2. Disability Income

Plan Administration: As discussed in Note 15, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and LEAs which are not part of the 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, 2024 was 0.11% of covered payroll. The College's contributions to DIPNC were \$11,916.97 for the year ended June 30, 2024.

C. Net OPEB Liability

Retiree Health Benefit Fund: At June 30, 2024, the College reported a liability of \$14,399,051.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. 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, 2023, the College's proportion was 0.05404%, which was an increase of 0.00322 from its proportion measured as of June 30, 2022, which was 0.05082%.

Disability Income Plan of North Carolina: At June 30, 2024, the College reported a liability of \$13,564.00 for its proportionate share of the collective net OPEB liability for DIPNC. The net OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. 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, 2023, the College's proportion was 0.05100%, which was an increase of 0.00173 from its proportion measured as of June 30, 2022, which was 0.04927%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2022, 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, 2023 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2022	12/31/2022
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***	6.5% grading down to 5% by 2029	N/A
Healthcare Cost Trend Rate - Prescription Drug***	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	7% grading down to 5% by 2033	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, 2023.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2023 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
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, 2023 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. The RHBF is funded solely by employer contributions and 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, 2022 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 3.65% at June 30, 2023 compared to 3.54% at June 30, 2022. 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 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00% at June 30, 2023 compared to 3.08% at June 30, 2022. 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 3.00%, 3.00% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.65% was used during the period that the plan was projected to have no fiduciary net position. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

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 (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
RHBF	\$ 16,986,421.00	\$ 14,399,051.00	\$ 12,291,810.00
	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	\$ 16,306.00	\$ 13,564.00	\$ 10,772.00

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% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 0% - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 0% - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 0% - 6%, Administrative - 4%)
RHBF	\$ 11,887,707.00	\$ 14,399,051.00	\$ 17,637,376.00

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, 2024, the College recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	\$ (328,489.00)
DIPNC	20,189.00
Total OPEB Expense	\$ (308,300.00)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 158,562.00	\$ 11,887.00	\$ 170,449.00
Changes of Assumptions	1,559,856.00	988.00	1,560,844.00
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	115,027.00	17,716.00	132,743.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,030,274.00	4,585.09	1,034,859.09
Contributions Subsequent to the Measurement Date	<u>773,519.94</u>	<u>11,916.97</u>	<u>785,436.91</u>
Total	<u>\$ 3,637,238.94</u>	<u>\$ 47,093.06</u>	<u>\$ 3,684,332.00</u>

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 14,108.00	\$ 7,513.00	\$ 21,621.00
Changes of Assumptions	3,841,551.00	2,315.00	3,843,866.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	<u>560,222.00</u>	<u>-</u>	<u>560,222.00</u>
Total	<u>\$ 4,415,881.00</u>	<u>\$ 9,828.00</u>	<u>\$ 4,425,709.00</u>

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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

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

<u>Year Ending June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2025	\$ (835,495.00)	\$ 7,931.00
2026	(859,324.00)	5,036.00
2027	(308,463.00)	7,011.00
2028	451,120.00	3,062.00
2029	-	1,473.00
Thereafter	<u>-</u>	<u>835.09</u>
Total	<u>\$ (1,552,162.00)</u>	<u>\$ 25,348.09</u>

Note 15 - Risk Management

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

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 14, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

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

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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

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

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

2. Public Officers' and Employees' Liability Insurance

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

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$100,000 deductible. In addition, losses from all other employees are covered with a private insurance company with coverages of \$100,000 per occurrence with a \$500 deductible.

4. Statewide Workers' Compensation Program

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from state funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the Board in whole or in part from county or institutional funds. Additional details on the state-administered risk management programs are disclosed in the State's *Annual Comprehensive Financial Report*, issued by the Office of the State Controller.

5. Other Insurance Held by the College

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. This coverage includes: employer's liability insurance with limits of \$100,000 per occurrence; professional liability insurance with limits of \$1,000,000 per occurrence covering students and instructors in Allied Health and Cosmetology programs; directors' and officers' liability insurance with a limit of \$3,000,000 and a \$25,000 deductible; and cyber liability insurance with limits up to \$1,000,000 and a \$5,000 deductible.

Note 16 - Commitments

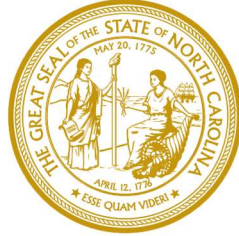
The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$1,848,415.04 and on other purchases were \$486,511.59 at June 30, 2024.

Note 17 - Related Party

The Earl Scruggs Music Festival, Inc. (Corporation) was established as a 501(c)(3) non-profit organization in September 2020. More specifically, the Corporation is organized as a Type I supporting organization. The activities are limited to the production of an annual music festival and all related business associated with that production. At all times, the Corporation is operated exclusively for the benefit of, and to carry out the purposes of the supported organizations, which include: Isothermal Community College, primarily with respect to its operation and support of WNCW 88.7 FM public radio station, and Destination Cleveland County, with respect to its operation as The Earl Scruggs Center. The Corporation is governed by a Board of Directors and has designated three appointments to Isothermal Community College, three to Destination Cleveland County, and other directors to be appointed by the Board of Directors. It is the intent of the Corporation to produce a bluegrass festival annually to honor life contributions of Earl Scruggs, specifically, to the genre, region, and overall music industry. The Corporation is also authorized to engage in any lawful activity to directly or indirectly support the charitable purpose assigned. This support approximated \$33,000.00 for the year ended June 30, 2024.

Note 18 - Subsequent Event

On June 4, 2024, a merger plan between the Isothermal Community College Foundation, Inc. and Polk County Campus I.C.C. Foundation, Inc. was adopted by both parties. The Foundations believed it is advantageous to combine their respective support of the College and merge into one Foundation, retaining the name of Isothermal Community College Foundation, Inc. All of the restricted assets transferred by the Polk County Campus I.C.C. Foundation, Inc. to Isothermal Community College Foundation, Inc. shall only be used for the purposes for which the funds were received, except where allowed or required by law. On June 30, 2024, \$309,545 of assets were transferred to the Foundation. The remaining assets of \$188,172.94 were transferred on July 18, 2024.



Required Supplementary Information

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

Exhibit C-1

Teachers' and State Employees' Retirement System	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Proportionate Share Percentage of Collective Net Pension Liability	0.05975%	0.05772%	0.05885%	0.06045%	0.06310%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 9,961,510.00	\$ 8,566,940.00	\$ 2,755,711.00	\$ 7,303,567.00	\$ 6,541,550.00
Covered Payroll	\$ 10,773,338.63	\$ 9,984,939.87	\$ 9,763,907.09	\$ 9,787,769.43	\$ 9,854,612.31
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	92.46%	85.80%	28.22%	74.62%	66.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.97%	84.14%	94.86%	85.98%	87.56%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportionate Share Percentage of Collective Net Pension Liability	0.06389%	0.06671%	0.06840%	0.06856%	0.07024%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 6,360,945.00	\$ 5,293,066.00	\$ 6,286,667.00	\$ 2,526,572.00	\$ 823,509.00
Covered Payroll	\$ 9,545,501.78	\$ 9,457,676.30	\$ 9,386,587.49	\$ 9,435,794.58	\$ 9,368,268.38
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	66.64%	55.97%	66.98%	26.78%	8.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%	89.51%	87.32%	94.64%	98.24%

Note: Information is presented for all years that were measured in accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, as amended.

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

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

Exhibit C-2

Teachers' and State Employees' Retirement System	2024	2023	2022	2021	2020
Contractually Required Contribution	\$ 1,911,049.27	\$ 1,872,406.25	\$ 1,635,533.15	\$ 1,443,105.47	\$ 1,269,473.70
Contributions in Relation to the Contractually Determined Contribution	<u>1,911,049.27</u>	<u>1,872,406.25</u>	<u>1,635,533.15</u>	<u>1,443,105.47</u>	<u>1,269,473.70</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 10,833,612.66	\$ 10,773,338.63	\$ 9,984,939.87	\$ 9,763,907.09	\$ 9,787,769.43
Contributions as a Percentage of Covered Payroll	17.64%	17.38%	16.38%	14.78%	12.97%
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 1,211,131.85	\$ 1,029,005.09	\$ 943,876.09	\$ 858,872.76	\$ 863,375.20
Contributions in Relation to the Contractually Determined Contribution	<u>1,211,131.85</u>	<u>1,029,005.09</u>	<u>943,876.09</u>	<u>858,872.76</u>	<u>863,375.20</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 9,854,612.31	\$ 9,545,501.78	\$ 9,457,676.30	\$ 9,386,587.49	\$ 9,435,794.58
Contributions as a Percentage of Covered Payroll	12.29%	10.78%	9.98%	9.15%	9.15%

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

Isothermal Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2024

Changes of Benefit Terms:

Teachers' and State Employees' Retirement System	Cost of Living Increase									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Adjustments (COLA) 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 received a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in 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.

Benefit recipients of the TSERS will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in November 2023, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2024. 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 13 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 2023 *Annual Comprehensive Financial Report* .

N/A - Not Applicable

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

Exhibit C-3
Page 1 of 2

Retiree Health Benefit Fund	2024	2023	2022	2021	2020
Proportionate Share Percentage of Collective Net OPEB Liability	0.05404%	0.05082%	0.04996%	0.05176%	0.05258%
Proportionate Share of Collective Net OPEB Liability	\$ 14,399,051.00	\$ 12,068,285.00	\$ 15,446,961.00	\$ 14,359,216.00	\$ 16,636,843.00
Covered Payroll	\$ 10,773,338.63	\$ 9,984,939.87	\$ 9,763,907.09	\$ 9,787,769.43	\$ 9,854,612.31
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	133.65%	120.86%	158.20%	146.71%	168.82%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.73%	10.58%	7.72%	6.92%	4.40%
	2019	2018	2017		
Proportionate Share Percentage of Collective Net OPEB Liability	0.05452%	0.05521%	0.05991%		
Proportionate Share of Collective Net OPEB Liability	\$ 15,532,779.00	\$ 18,100,313.00	\$ 26,062,886.00		
Covered Payroll	\$ 9,545,501.78	\$ 9,457,676.30	\$ 9,386,587.49		
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	162.72%	191.38%	277.66%		
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	3.52%	2.41%		

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

Exhibit C-3
Page 2 of 2

Disability Income Plan of North Carolina	2024	2023	2022	2021	2020
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.05100%	0.04927%	0.05112%	0.05178%	0.05442%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ 13,564.00	\$ 14,657.00	\$ (8,350.00)	\$ (25,473.00)	\$ (23,482.00)
Covered Payroll	\$ 10,773,338.63	\$ 9,984,939.87	\$ 9,763,907.09	\$ 9,787,769.43	\$ 9,854,612.31
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.13%	0.15%	0.09%	0.26%	0.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.61%	90.34%	105.18%	115.57%	113.00%
	2019	2018	2017		
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.05519%	0.05761%	0.05995%		
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (16,765.00)	\$ (35,211.00)	\$ (37,229.00)		
Covered Payroll	\$ 9,545,501.78	\$ 9,457,676.30	\$ 9,386,587.49		
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.18%	0.37%	0.40%		
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	108.47%	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.

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

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

Retiree Health Benefit Fund	2024	2023	2022	2021	2020
Contractually Required Contribution	\$ 773,519.94	\$ 742,283.03	\$ 628,052.72	\$ 652,228.99	\$ 633,268.68
Contributions in Relation to the Contractually Determined Contribution	773,519.94	742,283.03	628,052.72	652,228.99	633,268.68
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 10,833,612.66	\$ 10,773,338.63	\$ 9,984,939.87	\$ 9,763,907.09	\$ 9,787,769.43
Contributions as a Percentage of Covered Payroll	7.14%	6.89%	6.29%	6.68%	6.47%
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 617,884.19	\$ 577,502.86	\$ 549,490.99	\$ 525,648.90	\$ 518,025.12
Contributions in Relation to the Contractually Determined Contribution	617,884.19	577,502.86	549,490.99	525,648.90	518,025.12
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 9,854,612.31	\$ 9,545,501.78	\$ 9,457,676.30	\$ 9,386,587.49	\$ 9,435,794.58
Contributions as a Percentage of Covered Payroll	6.27%	6.05%	5.81%	5.60%	5.49%

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

Exhibit C-4
Page 2 of 2

Disability Income Plan of North Carolina	2024	2023	2022	2021	2020
Contractually Required Contribution	\$ 11,916.97	\$ 10,773.34	\$ 8,986.45	\$ 8,787.52	\$ 9,787.77
Contributions in Relation to the Contractually Determined Contribution	11,916.97	10,773.34	8,986.45	8,787.52	9,787.77
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 10,833,612.66	\$ 10,773,338.63	\$ 9,984,939.87	\$ 9,763,907.09	\$ 9,787,769.43
Contributions as a Percentage of Covered Payroll	0.11%	0.10%	0.09%	0.09%	0.10%
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 13,796.46	\$ 13,363.70	\$ 35,939.17	\$ 38,485.01	\$ 38,686.76
Contributions in Relation to the Contractually Determined Contribution	13,796.46	13,363.70	35,939.17	38,485.01	38,686.76
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 9,854,612.31	\$ 9,545,501.78	\$ 9,457,676.30	\$ 9,386,587.49	\$ 9,435,794.58
Contributions as a Percentage of Covered Payroll	0.14%	0.14%	0.38%	0.41%	0.41%

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

***Isothermal Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2024***

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 14 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

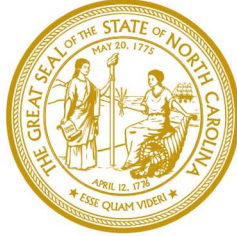
Changes of Assumptions: Consistent with prior years, for the actuarial valuation measured as of June 30, 2023 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.65%, from 3.54% as of June 30, 2022. This update was to reflect the 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 expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates was included. The terms of the Pharmacy Benefits Management contract effective January 1, 2023 and the terms of the third party administrator contract effective January 1, 2025 were incorporated in the valuation.

For the actuarial valuation measured as of June 30, 2023 for DIPNC, the discount rate was updated to 3.00%, from 3.08% as of June 30, 2022. This was a result of an update to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end, combined with a change in the degree to which the plan's fiduciary net position was 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 2023 *Annual Comprehensive Financial Report*.



Independent Auditor's Report



North Carolina Office of the State Auditor

Dave Boliek, 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
Isothermal Community College
Spindale, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Isothermal Community College (College), a component unit of the State of North Carolina, and its discretely presented component units, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 28, 2025. Our report includes a reference to other auditors who audited the financial statements of Isothermal Community College Foundation, Inc. and Polk County Campus I.C.C. Foundation, Inc., as described in our report on the College's financial statements. The financial statements of those entities were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with those entities.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Dave Boliek
State Auditor

Raleigh, North Carolina

January 28, 2025

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This audit required 357 hours at an approximate cost of \$55,335.