

Western Piedmont Community College

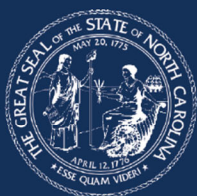
Morganton, North Carolina

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
The Honorable Phil Berger, President Pro Tempore
The Honorable Destin Hall, Speaker of the House
Honorable Members of the General Assembly of North Carolina
Board of Trustees, Western Piedmont Community College
Dr. Joel Welch, President

Since opening in 1964, Western Piedmont Community College has excelled at setting students up for success upon graduation. Thus, proper financial control is crucial in maintaining the College's ability to fulfill its educational mission.

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 Western Piedmont 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 like to thank Western Piedmont Community College leadership and faculty for their cooperation as we examined the College's finances, as well as their role in helping the community through Hurricane Helene.

Respectfully submitted,

A handwritten signature in black ink that reads "Dave Boliek".

Dave Boliek
State Auditor

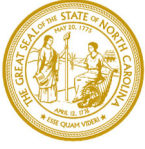
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Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The 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
Western Piedmont Community College
Morganton, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Western Piedmont Community College (College), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 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 report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of Western Piedmont Community College, and its discretely presented component unit, 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 Western Piedmont Foundation, Inc. (Foundation), the College's discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for Western Piedmont Foundation, Inc., are based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The College's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control

relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial

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

Other Reporting Required by Government Auditing Standards

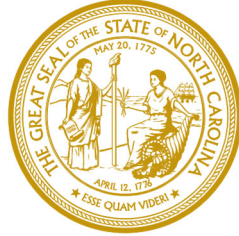
In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2025 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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

March 18, 2025



Management's Discussion and Analysis

Western Piedmont Community College's (College) annual financial report includes Management's Discussion and Analysis of the College's financial activity for the fiscal year ended June 30, 2024, with comparative data for the fiscal year ended June 30, 2023. The discussion and analysis should be read in conjunction with the Financial Statements and Notes to the Financial Statements. The Management's Discussion and Analysis, Financial Statements, and Notes to the Financial Statements are the responsibility of management.

This discussion and analysis only reflects the activity of the College and not Western Piedmont Foundation, Inc. (Foundation), the College's discretely presented component unit. See Note 1 to the financial statements for information on how to obtain complete financial statements for the Foundation.

Using the Annual Report

This report consists of financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35 - *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

The statement format presents financial information to emulate that used by corporations. The statements are prepared under the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The full scope of the College's activities is considered to be a single business-type activity and is reported in a single column format on the statements. Three basic financial statements are included in this report along with the required supplementary information and notes to the financial statements: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

- The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is reported as net position. This statement combines current and noncurrent financial resources including capital assets.
- The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as operating or nonoperating. The financial reporting model classifies state aid and county appropriations as nonoperating revenue, which results in an operating loss on the statements. This is consistent with most public institutions. The utilization of capital assets is reflected in the financial statements as depreciation and amortization.
- The Statement of Cash Flows presents an analysis of cash receipts and cash payments during the period. It shows the College's ability to meet financial obligations as they mature. The information is summarized by the different types of activities: operating, noncapital financing, capital and related financing, and investing activities.

Financial Highlights

- The College's budget is based on enrollment measured by full-time equivalents (FTE). The budgeted FTE is the higher of the previous year or the average of the past two years for each category, which is calculated and funded similarly by tier classifications, creating funding parity. As seen on the Analysis of Budgeted Full-Time Equivalents table below, curriculum shows a slight decrease with both non-curriculum and basic skills increasing.

Analysis of Budgeted Full-Time Equivalents (BFTE) Curriculum and Non-Curriculum

Fiscal Year	Curriculum	Non-Curriculum	Basic Skills	Total BFTE
2023-2024	1,549	258	89	1,896
2022-2023	1,566	222	84	1,872
2021-2022	1,693	211	59	1,963
2020-2021	1,779	342	112	2,233
2019-2020	1,650	345	162	2,157

- The College's state budget formula allocation was \$14,577,231.00. The formula allocation is based on three methodologies: base allocation, FTE enrollment, and performance-based allocations. State funding includes categorical allocations such as, but not limited to, childcare, small business center, and equipment.
- The College's county appropriation is used primarily for the plant operations and maintenance of the College. The operating budget for fiscal year 2024 was \$2,898,204.00.

Analysis of Financial Position and Results of Operations

Condensed Statement of Net Position

The Statement of Net Position represents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (total assets and deferred outflows of resources less the total liabilities and deferred inflows of resources) of the College. This statement provides a fiscal snapshot of the College's financial position as of June 30, 2024. The data provides readers of this statement information on assets available to continue operations, amounts due to vendors and employees, and the net position available for operations by the College.

	FY 2023-2024	FY 2022-2023 (As Restated)	\$ Change	% Change
Assets				
Current Assets	\$ 9,089,958.50	\$ 8,483,356.77	\$ 606,601.73	7.15%
Noncurrent Assets:				
Capital Assets, Net	30,987,219.17	30,530,590.20	456,628.97	1.50%
Other Noncurrent Assets	16,698,551.94	15,868,093.35	830,458.59	5.23%
Total Assets	56,775,729.61	54,882,040.32	1,893,689.29	3.45%
Total Deferred Outflows of Resources	7,292,472.00	6,578,366.00	714,106.00	10.86%
Liabilities				
Current Liabilities	942,565.39	1,109,939.48	(167,374.09)	-15.08%
Long-Term Liabilities	19,371,499.15	17,509,124.68	1,862,374.47	10.64%
Total Liabilities	20,314,064.54	18,619,064.16	1,695,000.38	9.10%
Total Deferred Inflows of Resources	3,519,879.00	5,424,970.00	(1,905,091.00)	-35.12%
Net Position				
Net Investment in Capital Assets	30,454,975.17	29,846,542.20	608,432.97	2.04%
Restricted:				
Nonexpendable	59,339.00	59,339.00	-	0.00%
Expendable	18,041,469.57	16,012,609.38	2,028,860.19	12.67%
Unrestricted	(8,321,525.67)	(8,502,118.42)	180,592.75	2.12%
Total Net Position	\$ 40,234,258.07	\$ 37,416,372.16	\$ 2,817,885.91	7.53%

Current assets include cash and cash equivalents, receivables, and inventories. Noncurrent assets consists of restricted cash, restricted investments, and net capital assets. Capital assets include land, art, literature, and artifacts, construction in progress, buildings, general infrastructure, machinery and equipment, and right-to-use leased and subscription assets.

Current liabilities include amounts due to vendors, payroll compensation, unearned revenue for the summer term, funds held for others, and the current portion of long-term liabilities. Long-term liabilities include the noncurrent portions of compensated absences, lease and subscription (SBITA) liabilities, net pension liability, and net OPEB liability.

Notable changes in the above table include:

- Current assets increased by \$606,601.73 or 7.15% due primarily to an increase in cash and cash equivalents resulting from a reduction in the amount of unrestricted cash needed to fund capital-related payables at year end.
- Capital assets net increased by \$456,628.97 or 1.50% due to ongoing and completed construction projects discussed below in the capital assets section.
- Other noncurrent assets increased by \$830,458.59 or 5.23% due to current year earnings on restricted investments.
- Deferred outflows of resources increased by \$714,106.00 or 10.86% due to changes in actuarial calculations. See Note 13 and 14 of the Notes to Financial Statements for further details regarding deferred outflows of resources for pension and OPEB, respectively.
- Long-term liabilities increased by \$1,862,374.47 or 10.64% due to changes in valuations made by the pension and OPEB plan actuaries. See Note 8 of the Notes to Financial Statements for further discussion.

Management's Discussion and Analysis

- Deferred inflows of resources decreased by \$1,905,091.00 or 35.12% due to changes in actuarial calculations. See Notes 13 and 14 of the Notes to Financial Statements for further details regarding deferred inflows of resources for pension and OPEB, respectively.
- Restricted expendable net position increased by \$2,028,860.19 or 12.67% because of unspent state funding received for ongoing construction projects.

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

The purpose of this statement is to present the revenues recognized and expenses incurred by the College, both operating and nonoperating. The College receives the majority of its funding from appropriations, which are recorded as nonoperating revenue. This results in an operating loss on the statements, which is normal for public institutions. Depreciation and amortization were recognized and presented as an operating expense.

	FY 2023 - 2024	FY 2022 - 2023 (As Restated)	\$ Change	% Change
Operating Revenues				
Student Tuition and Fees, Net	\$ 1,165,139.35	\$ 1,076,795.17	\$ 88,344.18	8.20%
Sales and Services, Net	502,612.78	408,489.56	94,123.22	23.04%
Total Operating Revenues	<u>1,667,752.13</u>	<u>1,485,284.73</u>	<u>182,467.40</u>	12.29%
Operating Expenses				
Salaries and Benefits	15,017,967.46	12,738,882.34	2,279,085.12	17.89%
Supplies and Services	5,045,000.82	4,810,335.95	234,664.87	4.88%
Scholarships and Fellowships	2,285,512.74	2,271,233.46	14,279.28	0.63%
Utilities	529,725.66	563,954.73	(34,229.07)	-6.07%
Depreciation/Amortization	1,105,704.11	912,586.57	193,117.54	21.16%
Total Operating Expenses	<u>23,983,910.79</u>	<u>21,296,993.05</u>	<u>2,686,917.74</u>	12.62%
Operating Loss	<u>(22,316,158.66)</u>	<u>(19,811,708.32)</u>	<u>(2,504,450.34)</u>	-12.64%
Nonoperating Revenues (Expenses)				
State Aid	12,853,597.55	11,611,542.29	1,242,055.26	10.70%
County Appropriations	2,898,204.00	2,683,610.00	214,594.00	8.00%
Student Financial Aid	3,904,097.86	3,510,753.47	393,344.39	11.20%
Federal Aid - COVID-19	-	1,111,791.25	(1,111,791.25)	-100.00%
Noncapital Contributions	2,006,488.32	2,593,444.60	(586,956.28)	-22.63%
Investment Income, Net	1,191,960.88	559,248.83	632,712.05	113.14%
Other Nonoperating Revenues (Expenses)	(32,448.25)	11,353.46	(43,801.71)	-385.80%
Net Nonoperating Revenues	<u>22,821,900.36</u>	<u>22,081,743.90</u>	<u>740,156.46</u>	3.35%
State Capital Aid	2,251,707.02	1,671,848.78	579,858.24	34.68%
County Capital Aid	-	1,000,000.00	(1,000,000.00)	-100.00%
Capital Contributions	60,437.19	7,725,058.91	(7,664,621.72)	-99.22%
Increase in Net Position	2,817,885.91	12,666,943.27	(9,849,057.36)	-77.75%
Net Position Beginning of Year	<u>37,416,372.16</u>	<u>24,749,428.89</u>	<u>12,666,943.27</u>	51.18%
Net Position at End of Year	<u>\$ 40,234,258.07</u>	<u>\$ 37,416,372.16</u>	<u>\$ 2,817,885.91</u>	7.53%
<u>Reconciliation of Change in Net Position</u>				
Total Revenues	26,834,244.95	33,963,936.32	(7,129,691.37)	-20.99%
Less: Total Expenses	<u>24,016,359.04</u>	<u>21,296,993.05</u>	<u>2,719,365.99</u>	12.77%
Increase in Net Position	<u>\$ 2,817,885.91</u>	<u>\$ 12,666,943.27</u>	<u>\$ (9,849,057.36)</u>	-77.75%

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 resources required to provide for the mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided in return, such as state and county aid, grants, and gifts.

Notable changes in the above table include:

- Federal COVID-19 aid was zero for this fiscal year due to depletion of pandemic relief packages for student aid and institutional funding from the prior year.
- State aid increased by \$1,242,055.26 or 10.70% due to an increase in budgeted FTE and the state legislative salary and related benefits increases.
- Student financial aid increased by \$393,344.39 or 11.20% due to more students applying for financial assistance combined with a slight increase in headcount.
- Noncapital contributions decreased by \$586,956.28 or 22.63% due to less federal pass-through funding, specifically COVID relief funds, Longleaf Commitment, Longleaf Complete, GERR, Summer Accelerator program, and Finish Line.
- Investment income increased by \$632,712.05 or 113.14% due to a positive market year on all investment accounts.
- State capital aid increased by \$579,858.24 or 34.68% due to receipt of State Capital Infrastructure Fund (SCIF) for the Emergency Services Training Center.
- County capital aid was zero for this fiscal year due to no capital appropriations being utilized.
- Capital contributions decreased by \$7,664,621.72 or 99.22% due to the final capital allocation of \$7,500,000.00 recognized from the State in fiscal year 2023.
- Salaries and benefits increased by \$2,279,085.12 or 17.89% due to the state legislative salary and related benefits increase.

Capital Asset Activity

On June 30, 2024, the College's capital assets, net of depreciation and amortization, totaled \$30,987,219.17. This represents an increase of \$456,628.97 from the prior year. Construction in progress consists primarily of ongoing projects for the Emergency Services Training Center. The significant changes in construction in progress and buildings was due to the completion of the Regional Skilled Trades Solution Center during the period. See Note 6 of the Notes to the Financial Statements for further details on the College's capital assets.

Economic Factors and Next Year's Budget

On September 27, 2024, Hurricane Helene moved through Western North Carolina. While media reports showed extensive damage in the area, the College campus did not suffer any significant damage. The College locations opened to faculty/staff on October 7, 2024 and classes resumed on October 9, 2024.

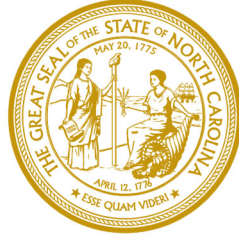
The economic position of the College is closely tied to the State of North Carolina and its budgetary decisions. The State provides the operational funding for the College and is primarily driven by student enrollment. Fortunately, the College is experiencing enrollment growth and expects additional growth over the next several years.

The College receives funding from Burke County for plant and operation of the College, as well as capital expenditures. In fiscal years 2024 – 2028, the county has committed to a 5-year capital plan of \$425,000 per year that will carry forward until utilized. While the College did not use any in fiscal year 2024, management expects to begin two or three projects within the next year.

Our campus continues to provide modern learning spaces through capital projects and renovations. We are progressing with the Emergency Services Training Center site with a groundbreaking in September 2024. The facility will house a fire tower, burn building, classroom space and driving track. Swift water training components are being considered and will be implemented with additional funding. Other projects forthcoming will include a chiller replacement system for Phifer Hall, replacement of Federal Pacific electrical panels in several buildings, and resurfacing of the tennis courts to include the addition of pickle ball and basketball courts.

The College completed the decennial re-accreditation through the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) and the approval was announced at their annual meeting in December 2024. As part of our reaffirmation, our Quality Enhancement Plan (QEP): Connect for Success, has been implemented and is showing progress with student advising, retention and persistence. During fiscal year 2025, the College will develop and implement the next Strategic Plan. Within our current strategic plan, we focus on: equitable access and success, learning outcomes, completion and transfer, and post graduate outcomes. Our new plan will continue to include these elements through an overarching goal of transitioning a majority of curriculum classes to 8-week courses, versus the traditional 16-week semester.

Western Piedmont Community College unites with all people in our community to identify and achieve their goals through an innovative, high quality educational experience. With continued planning, the College anticipates it will remain financially stable and be an asset to Burke County and our constituents.



Financial Statements

Western Piedmont Community College
Statement of Net Position
June 30, 2024

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 7,116,018.86
Restricted Cash and Cash Equivalents	1,431,803.15
Receivables, Net (Note 5)	225,399.03
Inventories	316,006.69
Notes Receivable	730.77
	<hr/>
Total Current Assets	9,089,958.50

Noncurrent Assets:

Restricted Cash and Cash Equivalents	59,339.00
Restricted Investments	16,639,212.94
Capital Assets - Nondepreciable (Note 6)	3,923,417.82
Capital Assets - Depreciable, Net (Note 6)	27,063,801.35
	<hr/>
Total Noncurrent Assets	47,685,771.11

Total Assets	<hr/> 56,775,729.61
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	4,794,850.00
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	2,497,622.00
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Total Deferred Outflows of Resources	7,292,472.00
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	463,226.66
Unearned Revenue	96,056.68
Funds Held for Others	24,457.21
Long-Term Liabilities - Current Portion (Note 8)	358,824.84
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Total Current Liabilities	942,565.39
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Noncurrent Liabilities:

Long-Term Liabilities (Note 8)	19,371,499.15
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Total Liabilities	20,314,064.54
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	56,640.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	3,463,239.00
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Total Deferred Inflows of Resources	3,519,879.00
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Western Piedmont Community College
Statement of Net Position
June 30, 2024

Exhibit A-1
Page 2 of 2

NET POSITION

Net Investment in Capital Assets	<u>30,454,975.17</u>
Restricted:	
Nonexpendable:	
Student Financial Aid	<u>59,339.00</u>
Expendable:	
Student Financial Aid	1,053,124.10
Loans	11,399.00
Capital Projects	15,814,160.61
Restricted for Specific Programs	<u>1,162,785.86</u>
Total Restricted-Expendable Net Position	<u>18,041,469.57</u>
Unrestricted	<u>(8,321,525.67)</u>
Total Net Position	<u><u>\$ 40,234,258.07</u></u>

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

Western Piedmont 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)	\$ 1,165,139.35
Sales and Services, Net (Note 11)	<u>502,612.78</u>
Total Operating Revenues	<u>1,667,752.13</u>

OPERATING EXPENSES

Salaries and Benefits	15,017,967.46
Supplies and Services	5,045,000.82
Scholarships and Fellowships	2,285,512.74
Utilities	529,725.66
Depreciation/Amortization	<u>1,105,704.11</u>
Total Operating Expenses	<u>23,983,910.79</u>
Operating Loss	<u>(22,316,158.66)</u>

NONOPERATING REVENUES (EXPENSES)

State Aid	12,853,597.55
County Appropriations	2,898,204.00
Student Financial Aid	3,904,097.86
Noncapital Contributions	2,006,488.32
Investment Income (Net of Investment Expense of \$46,977.59)	1,191,960.88
Other Nonoperating Expenses	<u>(32,448.25)</u>
Net Nonoperating Revenues	<u>22,821,900.36</u>
Income Before Other Revenues	<u>505,741.70</u>
State Capital Aid	2,251,707.02
Capital Contributions	<u>60,437.19</u>
Total Other Revenues	<u>2,312,144.21</u>
Increase in Net Position	2,817,885.91

NET POSITION

Net Position - July 1, 2023, as Restated (Note 18)	<u>37,416,372.16</u>
Net Position - June 30, 2024	<u><u>\$ 40,234,258.07</u></u>

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

Western Piedmont 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	\$ 1,688,906.39
Payments to Employees and Fringe Benefits	(15,738,382.26)
Payments to Vendors and Suppliers	(5,648,812.04)
Payments for Scholarships and Fellowships	(2,285,512.74)
Loans Issued to Students	(2,930.82)
Collection of Loans to Students	2,200.05
Other Payments	(20,126.25)
	<hr/>
Net Cash Used by Operating Activities	(22,004,657.67)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid	12,853,597.55
County Appropriations	2,898,204.00
Student Financial Aid	3,904,097.86
Noncapital Contributions	1,884,731.06
	<hr/>
Total Cash Provided by Noncapital Financing Activities	21,540,630.47

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

State Capital Aid	2,251,707.02
Capital Contributions	60,437.19
Proceeds from Sale of Capital Assets	41,907.46
Acquisition and Construction of Capital Assets	(1,572,744.12)
Principal Paid on Lease/Subscription Liabilities	(203,577.00)
Interest and Fees Paid on Lease/Subscription Liabilities	51.00
	<hr/>
Net Cash Provided by Capital Financing and Related Financing Activities	577,781.55

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	310,486.18
Investment Income	1,091,600.50
Purchase of Investments and Related Fees	(1,040,584.39)
	<hr/>
Net Cash Provided by Investing Activities	361,502.29
Net Increase in Cash and Cash Equivalents	475,256.64
Cash and Cash Equivalents - July 1, 2023	8,131,904.37
	<hr/>
Cash and Cash Equivalents - June 30, 2024	\$ 8,607,161.01

Western Piedmont 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	\$ (22,316,158.66)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	1,105,704.11
Other Nonoperating Expenses	(8,498.55)
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	23,786.98
Inventories	(46,871.04)
Notes Receivable	(730.77)
Deferred Outflows Related to Pensions	(185,841.00)
Deferred Outflows Related to Other Postemployment Benefits	(528,265.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(53,235.78)
Unearned Revenue	(835.72)
Funds Held for Others	(11,627.70)
Net Pension Liability	643,346.00
Net Other Postemployment Benefits Liability	1,272,405.00
Compensated Absences	7,255.46
Deferred Inflows Related to Pensions	(43,404.00)
Deferred Inflows Related to Other Postemployment Benefits	(1,861,687.00)
Net Cash Used by Operating Activities	<u>\$ (22,004,657.67)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	\$ 218,518.00
Change in Fair Value of Investments	85,082.16
Loss on Disposal of Capital Assets	(25,588.73)
Increase in Receivables Related to Nonoperating Revenues	107,530.26
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(14,227.00)

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

Western Piedmont Foundation, Inc.
Statement of Financial Position
June 30, 2024

Exhibit B-1

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 69,920	\$ 78,979	\$ 148,899
Student Loans Receivable	-	10,463	10,463
Marketable Securities	-	4,260,515	4,260,515
Total Assets	<u>\$ 69,920</u>	<u>\$ 4,349,957</u>	<u>\$ 4,419,877</u>
LIABILITIES			
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS			
Without Donor Restrictions:			
Undesignated	<u>69,920</u>	<u>-</u>	<u>69,920</u>
With Donor Restrictions	<u>-</u>	<u>4,349,957</u>	<u>4,349,957</u>
Total Liabilities and Net Assets	<u>\$ 69,920</u>	<u>\$ 4,349,957</u>	<u>\$ 4,419,877</u>

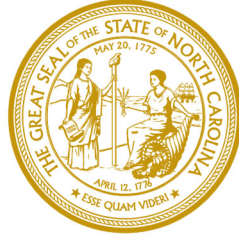
The accompanying notes to the financial statements are an integral part of this statement.

Western Piedmont Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2024

Exhibit B-2

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Donations	\$ 46,951	\$ 170,894	\$ 217,845
Investment Return	-	402,692	402,692
Program Grants	-	3,604	3,604
Contribution of Nonfinancial Assets from WPCC	177,127	-	177,127
Net Assets Released from Restrictions	130,928	(130,928)	-
	<u>355,006</u>	<u>446,262</u>	<u>801,268</u>
EXPENSES			
Program Services:			
Program Development	19,474	-	19,474
Institutional Development Grants	26,966	-	26,966
Scholarship Awards	94,699	-	94,699
Fundraising Expenses:			
General Fundraising Expense	3,238	-	3,238
Management and General:			
Professional Fees	13,183	-	13,183
Other Expense	216,505	-	216,505
	<u>374,065</u>	<u>-</u>	<u>374,065</u>
Total Expenses	<u>374,065</u>	<u>-</u>	<u>374,065</u>
Change in Net Assets	(19,059)	446,262	427,203
NET ASSETS			
Net Assets at Beginning of Year	<u>88,979</u>	<u>3,903,695</u>	<u>3,992,674</u>
Net Assets at End of Year	<u>\$ 69,920</u>	<u>\$ 4,349,957</u>	<u>\$ 4,419,877</u>

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

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

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

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

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

During the year ended June 30, 2024, the Foundation distributed \$90,689.87 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Lowdermilk, Church and Co., LLP located in Morganton, North Carolina.

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

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

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

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

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

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 and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

G. Inventories - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out 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 are 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	10-100 years
Machinery and Equipment	2-30 years
General Infrastructure	10-75 years

Right-to-use lease 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 lease 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 lease liabilities, subscription liabilities, compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 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 June 30 plus the leave earned, less the leave taken between July 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next 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 College Bookstore (Book Cellar). 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 \$2,890.00. The carrying amount of the College's deposits not with the State Treasurer, was \$1,713,929.72, and the bank balance was \$1,922,820.30.

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, 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 \$6,890,341.29, 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.

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	\$ 15,648,548.75	\$ 15,648,548.75	\$ -	\$ -	\$ -
Money Market Mutual Funds	44,883.94	44,883.94	-	-	-
Pooled Debt Funds	256,819.00	-	-	243,160.00	13,659.00
Total Debt Securities	15,950,251.69	\$ 15,693,432.69	\$ -	\$ 243,160.00	\$ 13,659.00
Other Securities					
Equity Mutual Funds	688,961.25				
Total Investments	\$ 16,639,212.94				

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
Money Market Mutual Funds	\$ 44,883.94	\$ 44,883.94	\$ -
Pooled Debt Funds	256,819.00	13,659.00	243,160.00
Totals	\$ 301,702.94	\$ 58,542.94	\$ 243,160.00

Rating Agency: Envestnet, Morningstar, BlackRock

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

	June 30, 2024		
	Market Value	Cost	Unrealized Gain (Loss)
First Citizens Wealth Management			
Fixed Income	\$ 1,596,290	\$ 1,598,492	\$ (2,202)
Equities	2,567,028	2,275,256	291,772
Money Market	97,197	97,197	-
Total	\$ 4,260,515	\$ 3,970,945	\$ 289,570

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	\$15,648,548.75	\$15,648,548.75	\$ -	\$ -
Money Market Mutual Funds	44,883.94	44,883.94	-	-
Pooled Debt Funds	256,819.00	256,819.00	-	-
Total Debt Securities	15,950,251.69	15,950,251.69	-	-
Other Securities				
Equity Mutual Funds	688,961.25	688,961.25	-	-
Total Investments by Fair Value Level	16,639,212.94	\$16,639,212.94	\$ -	\$ -
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	6,890,341.29			
Total Investments Measured at Fair Value	<u>\$23,529,554.23</u>			

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

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

Component Unit - The Foundation utilizes FASB Accounting Standards Codification (ASC) 820 to provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets in active markets
 - Quoted prices for identical or similar assets in inactive markets
 - Inputs other than quoted prices that are observable for the assets
 - Inputs that are derived principally from or corroborated by observable market data by correlational other means

If an asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Fair values of Foundation assets measured on a recurring basis at June 30, 2024 are as follows:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level				
Fixed Income	\$ 1,596,290	\$ 1,596,290	\$ -	\$ -
Equities	2,567,028	2,567,028	-	-
Money Market	97,197	97,197	-	-
Total Investments by Fair Value Level	\$ 4,260,515	\$ 4,260,515	\$ -	\$ -

Note 4 - Donor Restricted Endowments

The College's endowment assets are pooled with state agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. 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 assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2024, net appreciation of \$2,437.70 was available to be spent, all of which was classified in net position as restricted expendable scholarships and fellowships, as it is restricted for specific purposes.

Note 5 - Receivables

Receivables at June 30, 2024, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$136,011.33	\$ 69,698.19	\$ 66,313.14
Student Sponsors	5,222.51	-	5,222.51
Accounts	33,046.47	-	33,046.47
Grants	105,173.93	-	105,173.93
Other	15,943.13	300.15	15,642.98
Total Current Receivables	\$295,397.37	\$ 69,998.34	\$225,399.03

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	\$ 2,082,130.96	\$ -	\$ 104.50	\$ 2,082,026.46
Art, Literature, and Artifacts	145,014.00	-	-	145,014.00
Construction in Progress	7,838,759.53	1,146,518.79	7,288,900.96	1,696,377.36
Total Capital Assets, Nondepreciable	10,065,904.49	1,146,518.79	7,289,005.46	3,923,417.82
Capital Assets, Depreciable:				
Buildings	26,827,681.89	7,288,900.96	45,529.00	34,071,053.85
Machinery and Equipment	6,977,128.52	242,673.65	184,028.06	7,035,774.11
General Infrastructure	2,736,702.30	22,223.33	-	2,758,925.63
Right-to-Use Leased Buildings	157,300.00	193,618.00	157,300.00	193,618.00
Right-to-Use Leased Machinery and Equipment	11,523.00	24,900.00	11,523.00	24,900.00
Right-to-Use Subscription Assets	572,036.00	-	-	572,036.00
Total Capital Assets, Depreciable	37,282,371.71	7,772,315.94	398,380.06	44,656,307.59
Less Accumulated Depreciation/Amortization for:				
Buildings	12,839,112.68	445,447.08	45,186.24	13,239,373.52
Machinery and Equipment	2,848,642.02	345,483.11	116,874.63	3,077,250.50
General Infrastructure	892,598.30	38,917.92	-	931,516.22
Right-to-Use Leased Buildings	114,400.00	130,908.00	157,300.00	88,008.00
Right-to-Use Leased Machinery and Equipment	10,242.00	6,261.00	11,523.00	4,980.00
Right-to-Use Subscription Assets	112,691.00	138,687.00	-	251,378.00
Total Accumulated Depreciation/Amortization	16,817,686.00	1,105,704.11	330,883.87	17,592,506.24
Total Capital Assets, Depreciable, Net	20,464,685.71	6,666,611.83	67,496.19	27,063,801.35
Capital Assets, Net	\$ 30,530,590.20	\$ 7,813,130.62	\$ 7,356,501.65	\$ 30,987,219.17

As of June 30, 2024, the total amount of right-to-use leased and subscription assets was \$218,518.00 and \$572,036.00, and the related accumulated amortization was \$92,988.00 and \$251,378.00, respectively.

Note 7 - Accounts Payable and Accrued Liabilities

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

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 87,686.15
Accrued Payroll	375,540.51
Total Current Accounts Payable and Accrued Liabilities	\$ 463,226.66

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	\$ 52,712.00	\$ 218,518.00	\$ 69,531.00	\$ 201,699.00	\$ 92,968.96
Subscription (SBITA) Liabilities	464,591.00	-	134,046.00	330,545.00	139,507.00
Compensated Absences	676,568.53	550,802.75	543,547.29	683,823.99	126,348.88
Net Pension Liability	7,030,768.00	643,346.00	-	7,674,114.00	-
Net Other Postemployment Benefits Liability	9,581,964.00	1,258,178.00	-	10,840,142.00	-
Total Long-Term Liabilities	\$ 17,806,603.53	\$ 2,670,844.75	\$ 747,124.29	\$ 19,730,323.99	\$ 358,824.84

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. Lessee Arrangements - The College has lease agreements for the right to use office space and equipment from external parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. The expected payments are discounted using the interest rate stated per the lease contract, or the College's estimated incremental borrowing rate if there is no stated contractual interest rate.

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

The College had commitments under leases before the lease term as follows: a five-year lease agreement for the right-to-use a postage meter beginning September 1, 2023 with total payments over the period of \$24,845.00. A right to use business space lease was renewed for a twenty-seven (27) months period beginning May 1, 2024. Total payments over the period will be \$205,333.34.

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

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2024	Current Portion	Lease Terms	Interest Rate
Lessee:					
Right-to-Use Leased Buildings	1	\$ 176,854.00	\$ 87,999.96	5/1/2024-8/31/2026	4%
Right-to-Use Leased Machinery and Equipment	1	24,845.00	4,969.00	8/14/2023-8/14/2028	4%
Total	2	\$ 201,699.00	\$ 92,968.96		

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

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

The College had commitments under SBITAs before the SBITA term as follows: a three-year SBITA for the right-to-use student tracking software beginning July 1, 2022 with total payments over the period of \$182,098.00 and a five-year SBITA for the right-to-use electronic form software beginning October 31, 2022 with total payments over the period of \$389,938.00.

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

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2024	Current Portion	SBITA Terms and Conditions	Interest Rate
Right-to-Use Subscription Assets	2	\$ 330,545.00	\$ 139,507.00	7/1/2022-10/30/2027	4%

- C. Annual Requirements** - The annual requirements to pay principal and interest on leases and SBITAs at June 30, 2024, are as follows:

Fiscal Year	Annual Requirements			
	Lease Liabilities		Subscription (SBITA) Liabilities	
	Principal	Interest	Principal	Interest
2025	\$ 92,968.96	\$ 6,206.00	\$ 139,507.00	\$ 10,218.00
2026	92,968.96	8,812.00	79,698.00	10,417.00
2027	10,792.08	447.00	82,845.00	2,668.00
2028	4,969.00	263.00	28,395.00	142.00
Total Requirements	\$ 201,699.00	\$ 15,728.00	\$ 330,445.00	\$ 23,445.00

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:

	<u>Amount</u>
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (2,935,904.00)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(11,805,759.00)</u>
Effect on Unrestricted Net Position	(14,741,663.00)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	<u>6,420,137.33</u>
Total Unrestricted Net Position	<u><u>\$ (8,321,525.67)</u></u>

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:

	<u>Gross Revenues</u>	<u>Less Scholarship Discounts and Allowances</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$ 2,621,819.00</u>	<u>\$ 1,410,298.89</u>	<u>\$ 46,380.76</u>	<u>\$ 1,165,139.35</u>
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	\$ 799,941.76	\$ 361,020.92	\$ 13,317.72	\$ 425,603.12
Other	18,182.39	-	-	18,182.39
Sales and Services of Education and Related Activities	<u>60,080.59</u>	<u>-</u>	<u>1,253.32</u>	<u>58,827.27</u>
Total Sales and Services, Net	<u>\$ 878,204.74</u>	<u>\$ 361,020.92</u>	<u>\$ 14,571.04</u>	<u>\$ 502,612.78</u>

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	\$ 8,367,274.00	\$ 964,002.82	\$ 103,381.78	\$ -	\$ -	\$ 9,434,658.60
Academic Support	1,440,416.84	121,499.29	-	-	-	1,561,916.13
Student Services	1,513,044.02	451,231.54	95,309.12	-	-	2,059,584.68
Institutional Support	2,850,919.53	1,506,892.35	-	-	-	4,357,811.88
Operations and Maintenance of Plant	681,965.41	1,247,150.69	-	529,725.66	-	2,458,841.76
Student Financial Aid	-	-	2,086,821.84	-	-	2,086,821.84
Auxiliary Enterprises	164,347.66	754,224.13	-	-	-	918,571.79
Depreciation/Amortization	-	-	-	-	1,105,704.11	1,105,704.11
Total Operating Expenses	\$ 15,017,967.46	\$ 5,045,000.82	\$ 2,285,512.74	\$ 529,725.66	\$ 1,105,704.11	\$ 23,983,910.79

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 \$559,435.26, and the College's contributions were \$1,644,739.66 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 \$7,674,114.00 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 0.04603%, which was a decrease of 0.00134 from its proportion measured as of June 30, 2022, which was 0.04737%.

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 fact

** Investment rate of return includes inflation assumption and is 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:

Net Pension Liability		
1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
\$ 13,174,655.00	\$ 7,674,114.00	\$ 3,136,346.00

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 \$2,059,875.00. 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
Difference Between Actual and Expected Experience	\$ 625,622.00	\$ 56,640.00
Changes of Assumptions	269,505.00	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,137,240.00	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	117,743.34	-
Contributions Subsequent to the Measurement Date	1,644,739.66	-
Total	\$ 4,794,850.00	\$ 56,640.00

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 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
2025	\$ 1,057,867.00
2026	557,904.00
2027	1,386,401.00
2028	91,298.34
Total	\$ 3,093,470.34

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 \$665,727.96 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 \$14,227.00.

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 \$10,256.31 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 \$10,829,719.00 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 0.04064%, which was an increase of 0.00034 from its proportion measured as of June 30, 2022, which was 0.04030%.

Disability Income Plan of North Carolina: At June 30, 2024, the College reported a liability of \$10,423.00 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 0.03919%, which was a decrease of 0.00118 from its proportion measured as of June 30, 2022, which was 0.04037%.

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, 2023. 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		
		<u>1% Decrease (2.65%)</u>	<u>Current Discount Rate (3.65%)</u>	<u>1% Increase (4.65%)</u>
RHBF	\$	12,775,473.00	\$ 10,829,719.00	\$ 9,244,660.00
		<u>1% Decrease (2.00%)</u>	<u>Current Discount Rate (3.00%)</u>	<u>1% Increase (4.00%)</u>
DIPNC	\$	12,530.00	\$ 10,423.00	\$ 8,278.00

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		
		<u>1% Decrease</u>	<u>Current Healthcare</u>	<u>1% Increase</u>
		(Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 0% - 4%, Administrative - 2%)	Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 0% - 5%, Administrative - 3%)	(Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 0% - 6%, Administrative - 4%)
RHBF	\$	8,940,735.00	\$ 10,829,719.00	\$ 13,265,055.00

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:

<u>OPEB Plan</u>	<u>Amount</u>
RHBF	\$ 457,346.00
DIPNC	16,534.00
Total OPEB Expense	\$ 473,880.00

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	\$ 119,256.00	\$ 9,134.00	\$ 128,390.00
Changes of Assumptions	1,173,188.00	760.00	1,173,948.00
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	86,513.00	13,614.00	100,127.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	412,548.04	6,624.69	419,172.73
Contributions Subsequent to the Measurement Date	<u>665,727.96</u>	<u>10,256.31</u>	<u>675,984.27</u>
Total	<u>\$ 2,457,233.00</u>	<u>\$ 40,389.00</u>	<u>\$ 2,497,622.00</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	\$ 10,611.00	\$ 5,773.00	\$ 16,384.00
Changes of Assumptions	2,889,282.00	1,779.00	2,891,061.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	<u>555,400.00</u>	<u>394.00</u>	<u>555,794.00</u>
Total	<u>\$ 3,455,293.00</u>	<u>\$ 7,946.00</u>	<u>\$ 3,463,239.00</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	\$ (856,057.00)	\$ 7,118.00
2026	(794,325.00)	4,829.00
2027	(230,276.00)	5,859.00
2028	246,860.04	2,827.00
2029	-	1,060.00
Thereafter	<u>-</u>	<u>493.69</u>
Total	<u>\$ (1,633,797.96)</u>	<u>\$ 22,186.69</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. Liability insurance for other College employees paid through institutional or county funds are covered by contracts with private insurance companies.

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 is protected for losses related to cyber security or data breaches. The coverage is with a private insurance company. Coverage limit is \$2,000,000 with a \$250,000 sub-limit for notifying affected individuals. The deductible is \$25,000 retention for breach and \$1,000 for cyber extortion. Liability insurance paid through county funds are covered by contracts with private insurance companies.

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 \$17,605,809.42 at June 30, 2024.

Note 17 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2024, the College implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 100, Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62

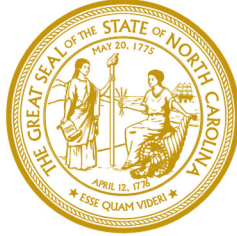
GASB Statement No. 100 enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. It defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity, and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for each type of accounting change and error corrections, and requires disclosure in the notes to the financial statements of descriptive information about accounting changes and error corrections, such as their nature. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information and supplementary information.

Note 18 - Net Position Restatement

During the fiscal year ended June 30, 2024, the College determined that the prior year journal entry to reclassify fiscal year 2023 pension contributions was not calculated correctly. As a result, deferred outflows related to pensions were overstated by \$637,504.00 and salaries and benefits were understated by the same amount for the fiscal year ended June 30, 2023.

As of July 1, 2023, net position as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2023 Net Position as Previously Reported	\$ 38,053,876.16
Restatement:	
To Correct Prior Year Error in Deferred Outflows Related to Pensions	<u>(637,504.00)</u>
July 1, 2023 Net Position as Restated	<u>\$ 37,416,372.16</u>



Required Supplementary Information

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

Exhibit C-1

Teachers' and State Employees' Retirement System	2024	2023	2022	2021	2020
Proportionate Share Percentage of Collective Net Pension Liability	0.04603%	0.04737%	0.04819%	0.04669%	0.04847%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 7,674,114.00	\$ 7,030,768.00	\$ 2,256,545.00	\$ 5,641,084.00	\$ 5,024,864.00
Covered Payroll	\$ 8,948,491.28	\$ 8,572,260.97	\$ 8,433,501.29	\$ 8,344,749.39	\$ 8,289,064.11
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	85.76%	82.02%	26.76%	67.60%	60.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.97%	84.14%	94.86%	85.98%	87.56%
	2019	2018	2017	2016	2015
Proportionate Share Percentage of Collective Net Pension Liability	0.05287%	0.05402%	0.05893%	0.06235%	0.06855%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 5,263,784.00	\$ 4,286,185.00	\$ 5,416,276.00	\$ 2,297,721.00	\$ 803,695.00
Covered Payroll	\$ 8,567,827.17	\$ 8,503,446.98	\$ 8,920,134.03	\$ 9,207,629.56	\$ 10,098,690.52
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	61.44%	50.41%	60.72%	24.95%	7.96%
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.

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

Exhibit C-2

Teachers' and State Employees' Retirement System	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution	\$ 1,644,739.66	\$ 1,555,247.78	\$ 1,404,136.35	\$ 1,246,471.49	\$ 1,082,314.00
Contributions in Relation to the Contractually Determined Contribution	<u>1,644,739.66</u>	<u>1,555,247.78</u>	<u>1,404,136.35</u>	<u>1,246,471.49</u>	<u>1,082,314.00</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 9,323,920.98	\$ 8,948,491.28	\$ 8,572,260.97	\$ 8,433,501.29	\$ 8,344,749.39
Contributions as a Percentage of Covered Payroll	17.64%	17.38%	16.38%	14.78%	12.97%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,018,725.98	\$ 923,611.77	\$ 848,644.01	\$ 816,192.26	\$ 842,498.10
Contributions in Relation to the Contractually Determined Contribution	<u>1,018,725.98</u>	<u>923,611.77</u>	<u>848,644.01</u>	<u>816,192.26</u>	<u>842,498.10</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 8,289,064.11	\$ 8,567,827.17	\$ 8,503,446.98	\$ 8,920,134.03	\$ 9,207,629.56
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.

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

Western Piedmont Community College
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability or Asset
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last 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	0.04064%	0.04030%	0.04037%	0.03924%	0.04218%
Proportionate Share of Collective Net OPEB Liability	\$ 10,829,719.00	\$ 9,569,955.00	\$ 12,479,342.00	\$ 10,885,833.00	\$ 13,346,911.00
Covered Payroll	\$ 8,948,491.28	\$ 8,572,260.97	\$ 8,433,501.29	\$ 8,344,749.39	\$ 8,289,064.11
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	121.02%	111.64%	147.97%	130.45%	161.02%
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	0.04482%	0.04520%	0.05057%		
Proportionate Share of Collective Net OPEB Liability	\$ 12,769,016.00	\$ 14,820,156.00	\$ 21,999,669.00		
Covered Payroll	\$ 8,567,827.17	\$ 8,503,446.98	\$ 8,920,134.03		
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	149.03%	174.28%	246.63%		
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	3.52%	2.41%		

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

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

Disability Income Plan of North Carolina	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.03919%	0.04037%	0.04145%	0.03955%	0.04141%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ 10,423.00	\$ 12,009.00	\$ (6,770.00)	\$ (19,456.00)	\$ (17,868.00)
Covered Payroll	\$ 8,948,491.28	\$ 8,572,260.97	\$ 8,433,501.29	\$ 8,344,749.39	\$ 8,289,064.11
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.12%	0.14%	0.08%	0.23%	0.22%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.61%	90.34%	105.18%	115.57%	113.00%
	<u>2019</u>	<u>2018</u>	<u>2017</u>		
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.04506%	0.04618%	0.05094%		
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (13,687.00)	\$ (28,225.00)	\$ (31,364.00)		
Covered Payroll	\$ 8,567,827.17	\$ 8,503,446.98	\$ 8,920,134.03		
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.16%	0.33%	0.35%		
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.

**Western Piedmont 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**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Retiree Health Benefit Fund					
Contractually Required Contribution	\$ 665,727.96	\$ 616,551.05	\$ 539,195.22	\$ 563,357.89	\$ 539,905.29
Contributions in Relation to the Contractually Determined Contribution	<u>665,727.96</u>	<u>616,551.05</u>	<u>539,195.22</u>	<u>563,357.89</u>	<u>539,905.29</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 9,323,920.98	\$ 8,948,491.28	\$ 8,572,260.97	\$ 8,433,501.29	\$ 8,344,749.39
Contributions as a Percentage of Covered Payroll	7.14%	6.89%	6.29%	6.68%	6.47%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 519,724.00	\$ 518,353.54	\$ 494,050.27	\$ 499,527.51	\$ 505,498.86
Contributions in Relation to the Contractually Determined Contribution	<u>519,724.00</u>	<u>518,353.54</u>	<u>494,050.27</u>	<u>499,527.51</u>	<u>505,498.86</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 8,289,064.11	\$ 8,567,827.17	\$ 8,503,446.98	\$ 8,920,134.03	\$ 9,207,629.56
Contributions as a Percentage of Covered Payroll	6.27%	6.05%	5.81%	5.60%	5.49%

**Western Piedmont 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	\$ 10,256.31	\$ 8,948.49	\$ 7,715.03	\$ 7,590.14	\$ 8,344.75
Contributions in Relation to the Contractually Determined Contribution	<u>10,256.31</u>	<u>8,948.49</u>	<u>7,715.03</u>	<u>7,590.14</u>	<u>8,344.75</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 9,323,920.98	\$ 8,948,491.28	\$ 8,572,260.97	\$ 8,433,501.29	\$ 8,344,749.39
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	\$ 11,605.00	\$ 11,994.96	\$ 32,313.10	\$ 36,572.55	\$ 37,571.28
Contributions in Relation to the Contractually Determined Contribution	<u>11,605.00</u>	<u>11,994.96</u>	<u>32,313.10</u>	<u>36,572.55</u>	<u>37,571.28</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 8,289,064.11	\$ 8,567,827.17	\$ 8,503,446.98	\$ 8,920,134.03	\$ 9,207,629.56
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.

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

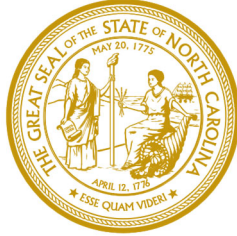
Changes of Assumptions: Consistent with prior years, for the actuarial valuation measured as of June 30, 2023 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.65%, from 3.54% as of June 30, 2022. This update was to reflect the 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
Western Piedmont Community College
Morganton, 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 Western Piedmont Community College (College), a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 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 March 18, 2025. Our report includes a reference to other auditors who audited the financial statements of Western Piedmont Foundation, Inc. (Foundation), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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

March 18, 2025

Ordering Information

Copies of this report may be obtained by contacting:

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State of North Carolina
20601 Mail Service Center
Raleigh, North Carolina 27699

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919-807-7666



This audit required 368 hours at an approximate cost of \$57,040.