

# Wilkes Community College

Wilkesboro, 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

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The Honorable Josh Stein, Governor  
Honorable Members of the North Carolina General Assembly  
Board of Trustees, Wilkes Community College  
Dr. Michael Rodgers, President

A staple of Wilkes County, Wilkes Community College holds true to its academic roots, offering its students a quality, affordable education that prepares them for a variety of fields, including law enforcement, nursing, cosmetology, and more. It also does a wonderful job hosting the annual MerleFest music festival.

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 Wilkes 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.

Wilkes Community College faculty were very helpful as we examined the College's finances, and we're thankful for their assistance and cooperation.

Respectfully submitted,

A handwritten signature in black ink, reading "Dave Boliek", with a stylized flourish extending to the right.

Dave Boliek  
State Auditor

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# **Independent Auditor's Report**



## North Carolina Office of the State Auditor

Dave Boliek, State Auditor

# Independent Auditor's Report

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Board of Trustees  
Wilkes Community College  
Wilkesboro, North Carolina

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

### *Opinions*

We have audited the financial statements of Wilkes 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 Wilkes 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 Wilkes Community College 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 the Foundation, 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**

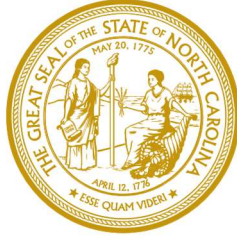
In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2025 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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

February 13, 2025



# **Management's Discussion and Analysis**



This section of Wilkes Community College's (College) financial statements presents Management's Discussion and Analysis of the College's financial activity during the fiscal years ended June 30, 2024, and June 30, 2023. Since Management's Discussion and Analysis is designed to focus on current activities, resulting changes, and currently known facts, please read it in conjunction with the College's basic financial statements and notes to financial statements. Responsibility for the completeness and fairness of this information rests with the College.

This discussion and analysis only reflects the activity of the College and not Wilkes Community College 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 This Annual Report**

This annual report consists of financial statements prepared in accordance with 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 in a form similar to 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 on the statements. Three basic financial statements are included in this report along with the required supplementary information: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Cash Flows presents 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 activities, noncapital financing activities, capital and related financing activities, and investing activities.

### **STATEMENT OF NET POSITION**

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement combines current and noncurrent financial resources, including capital assets. The College's net position (the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) is one indicator of the financial well-being of the College. Over a period of time, increases or decreases in the College's net position are one factor in determining the financial health of the institution. Nonfinancial factors must also be analyzed to determine the complete picture of the College's condition. Enrollment levels and the age and condition of its buildings are examples of nonfinancial factors that have an impact on the College's condition.

Condensed Statement of Net Position				
	2024	2023	Increase/ (Decrease)	% Change
<b>Assets</b>				
Current Assets	\$ 1,216,882.23	\$ 1,951,978.88	\$ (735,096.65)	(37.66%)
Noncurrent Assets				
Capital Assets, Net	44,975,401.18	45,943,434.29	(968,033.11)	(2.11%)
Other Noncurrent Assets	6,219,536.05	5,954,472.42	265,063.63	4.45%
<b>Total Assets</b>	<b>52,411,819.46</b>	<b>53,849,885.59</b>	<b>(1,438,066.13)</b>	<b>(2.67%)</b>
Total Deferred Outflows of Resources	13,965,167.00	11,973,231.00	1,991,936.00	16.64%
<b>Liabilities</b>				
Current Liabilities	2,114,316.83	2,165,441.69	(51,124.86)	(2.36%)
Long-Term Liabilities	38,833,389.08	34,281,404.09	4,551,984.99	13.28%
<b>Total Liabilities</b>	<b>40,947,705.91</b>	<b>36,446,845.78</b>	<b>4,500,860.13</b>	<b>12.35%</b>
Total Deferred Inflows of Resources	6,114,975.00	8,870,803.00	(2,755,828.00)	(31.07%)
<b>Net Position</b>				
Net Investment in Capital Assets	44,115,582.53	44,815,838.13	(700,255.60)	(1.56%)
Restricted - Nonexpendable	3,554,250.59	3,441,409.39	112,841.20	3.28%
Restricted - Expendable	2,791,780.60	2,571,302.52	220,478.08	8.57%
Unrestricted	(31,147,308.17)	(30,323,082.23)	(824,225.94)	2.72%
<b>Total Net Position</b>	<b>\$ 19,314,305.55</b>	<b>\$ 20,505,467.81</b>	<b>\$ (1,191,162.26)</b>	<b>(5.81%)</b>

### Assets and Deferred Outflows of Resources

The assets of the College are divided between current and noncurrent assets. Current assets include cash and cash equivalents, receivables, a due from the Foundation, and inventories. Noncurrent assets consist of cash and cash equivalents, investments, and capital assets, net. The College's capital assets are stated at historical cost less depreciation/amortization (if applicable).

Current assets at June 30, 2024 decreased primarily due to the net effect of changes in cash and cash equivalents, amounts due from the Foundation and inventories. Cash and cash equivalents decreased due to decreased revenues from business-type activities and continued increases in salaries, benefits, supplies and services expenses further discussed below. Amounts due from the Foundation decreased due to the timing of the receipt of recurring grant funds. Lower bookstore inventory was the primary cause of the overall decrease in inventories.

Noncurrent assets decreased primarily due to changes in investments and capital assets. Investments increased due to improved market conditions. Capital assets decreased primarily because of increases in depreciation and amortization expense and limited current year additions. See the capital asset activity section for additional information on capital assets.

The College participates in the state-sponsored Teachers' and State Employees' Retirement System of North Carolina, a cost-sharing, multiple-employer, defined benefit pension plan. The College also participates in two other postemployment benefit (OPEB) plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina. Changes in the deferred

outflows for pensions and OPEB were caused by changes in actuarial valuations on the plans. See Notes 13 and 14 to the financial statements for further details regarding deferred outflows of resources for pension and OPEB plans, respectively.

### **Liabilities and Deferred Inflows of Resources**

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities that extend beyond a year. The decrease in current liabilities is mainly related to a decrease in capital-related accounts payable due to the completion of the Herring Hall cosmetology lab renovation. Noncurrent liabilities include a note from direct borrowing, lease liabilities, subscription liabilities, compensated absences that will not be paid within the next fiscal year, and net pension and OPEB liabilities. The significant increase in noncurrent liabilities is primarily associated with changes in the proportionate share of the net pension and net OPEB liabilities caused by changes in actuarial valuations. See Notes 13 and 14 to the financial statements for more information regarding the measurement of the net pension and net OPEB liabilities, respectively.

The decrease in deferred inflows of resources primarily relates to changes in actuarial valuations related to OPEB plans. See Note 14 to the financial statements for further details of deferred inflows of resources.

### **Net Position**

Net position is a measure of the value of all the College's assets and deferred outflows of resources less liabilities and deferred inflows of resources. The College's net position decreased \$1,191,162.26 for the fiscal year for a year-end total of \$19,314,305.55. The decrease in net position is primarily due to combined changes in cash and cash equivalents, capital assets, investments, and in the pension and OPEB related balances as discussed above.

## **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the 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. Because the College receives the majority of its funding from state aid and county appropriations, this classification results in an operating loss on the statements. Depreciation and amortization are recognized and presented as an operating expense. The change in net position is one indicator of the financial well-being of the College.

### **Total Revenues and Expenses**

The College's total revenues increased by \$1,494,959.24 or 4.05% and are classified as operating, nonoperating, and other revenues. Total expenses increased by \$4,886,512.06 or 14.06% and are classified as either operating or nonoperating.

## Management's Discussion and Analysis

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

	2024	2023	Increase/ (Decrease)	% Change
Operating Revenues:				
Student Tuition and Fees, Net	\$ 1,183,486.08	\$ 1,454,618.34	\$ (271,132.26)	(18.64%)
Federal Grants and Contracts	119,520.41	96,349.93	23,170.48	24.05%
Sales and Services, Net	1,123,577.47	1,366,497.61	(242,920.14)	(17.78%)
Other Operating Revenues	63,766.33	15,505.65	48,260.68	311.25%
Total Operating Revenues	2,490,350.29	2,932,971.53	(442,621.24)	(15.09%)
Operating Expenses:				
Salaries and Benefits	25,357,704.39	22,031,416.79	3,326,287.60	15.10%
Supplies and Services	8,132,778.68	7,095,395.50	1,037,383.18	14.62%
Scholarships and Fellowships	2,996,630.37	2,640,414.57	356,215.80	13.49%
Utilities	1,129,493.96	1,015,386.33	114,107.63	11.24%
Depreciation/Amortization	1,913,165.32	1,910,399.25	2,766.07	0.14%
Total Operating Expenses	39,529,772.72	34,693,012.44	4,836,760.28	13.94%
Operating Loss	(37,039,422.43)	(31,760,040.91)	(5,279,381.52)	16.62%
Nonoperating Revenues (Expenses):				
State Aid	19,240,103.92	17,311,545.94	1,928,557.98	11.14%
State Aid - Coronavirus	-	378,159.40	(378,159.40)	(100.00%)
County Appropriations	5,102,974.78	5,113,541.08	(10,566.30)	(0.21%)
Student Financial Aid	4,909,154.51	4,025,217.12	883,937.39	21.96%
Federal Aid - COVID-19	-	21,414.50	(21,414.50)	(100.00%)
Noncapital Contributions	4,466,719.12	4,250,409.52	216,309.60	5.09%
Investment Income, Net	617,317.26	466,893.49	150,423.77	32.22%
Interest and Fees on Debt	(46,336.89)	(21,023.75)	(25,313.14)	120.40%
Other Nonoperating Expenses	(58,282.95)	(33,844.31)	(24,438.64)	72.21%
Net Nonoperating Revenues	34,231,649.75	31,512,312.99	2,719,336.76	8.63%
Loss Before Other Revenues	(2,807,772.68)	(247,727.92)	(2,560,044.76)	1033.41%
Other Revenues:				
State and County Capital Aid	661,461.84	1,319,428.12	(657,966.28)	(49.87%)
Capital Contributions	844,469.49	1,070,783.53	(226,314.04)	(21.14%)
Additions to Endowments	110,679.09	57,906.83	52,772.26	91.13%
Increase (Decrease) in Net Position	(1,191,162.26)	2,200,390.56	(3,391,552.82)	(154.13%)
Net Position, Beginning	20,505,467.81	18,305,077.25	2,200,390.56	12.02%
Net Position, Ending	\$ 19,314,305.55	\$ 20,505,467.81	\$ (1,191,162.26)	(5.81%)
<b>Reconciliation of Changes in Net Position</b>				
Total Revenues	\$ 38,443,230.30	\$ 36,948,271.06	\$ 1,494,959.24	4.05%
Less: Total Expenses	39,634,392.56	34,747,880.50	4,886,512.06	14.06%
Changes in Net Position	\$ (1,191,162.26)	\$ 2,200,390.56	\$ (3,391,552.82)	(154.13%)

### Revenues

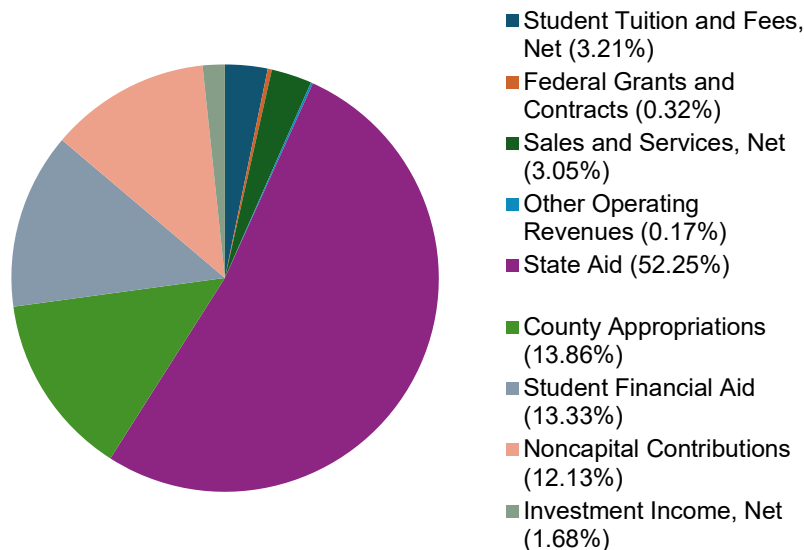
The College's revenues are classified as operating, nonoperating, and other revenues. Operating revenues include net student tuition and fees; federal grants and contracts; net sales and services revenue; and other operating revenues. Sales and services revenue is primarily

derived from bookstore operations, hospitality services, and event ticket sales. Nonoperating revenues comprise the major portion of the College's funding and include appropriations from state and local governments, student financial aid, noncapital contributions, and investment income/loss. The largest amount, state aid, consists of amounts allotted from the North Carolina State Board of Community Colleges to the College for operations. Other revenues include aid for capital projects and additions to endowments.

Net student tuition and fees decreased due to reduced enrollment in self-supporting continuing education courses, and an increase in scholarship discounts resulting from course fees for high school students now being paid by the Foundation. Sales and services decreased due primarily to lower revenues from hospitality services because the College did not host the FaithFest Christian Music Festival during the fiscal year.

State aid increased because of an increase in funding from the North Carolina Legislature tied to higher enrollment and salary increases, including expanded funding for high demand/high-cost faculty positions. State and federal Coronavirus funds provided needed support for students and the College through the pandemic. This funding was fully expended by the end of fiscal year 2023. Student financial aid increased due to increased enrollment and a higher number of students being eligible for aid. Noncapital contributions increased due to the receipt of a grant from the Lowes Foundation, a transfer from the Foundation for the Career and College Promise program, and a Herring Workplace Connections grant. Lastly, investment income increased due to improved market conditions during fiscal year 2024.

The following is a graphical representation of revenues by source and includes operating revenues as well as nonoperating revenues.



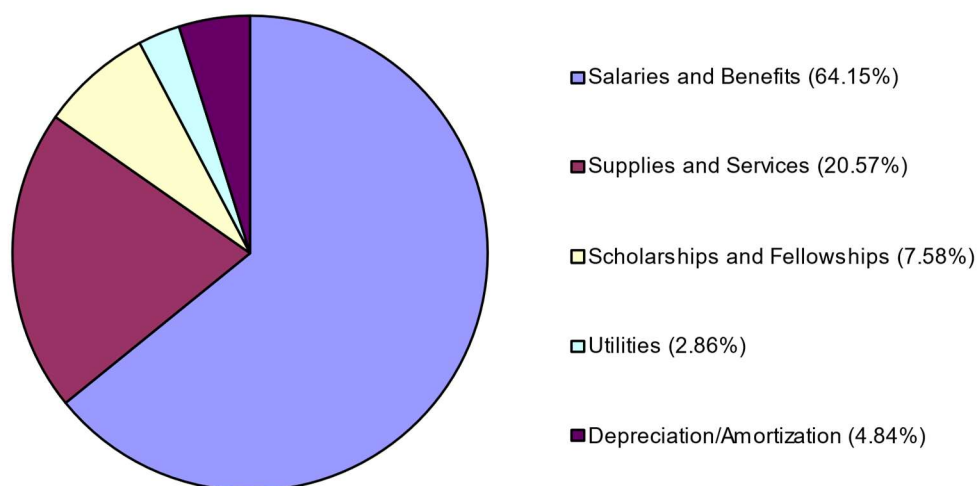
Other revenues consist of state, local and private aid for equipment, construction, building improvements and infrastructure, as well as additions to endowments. State capital aid and capital contributions both decreased over the prior year as the result of the completion of the cosmetology renovation project that was funded with state capital funds and support from the Foundation.

### Expenses

The majority of operating expenses are for direct personnel costs and fringe benefits. Other expenses are for the operating activities that are necessary and essential to the mission of the College. Depreciation and amortization expense is recognized in accordance with GASB Statement No. 34/35.

Total operating expenses for fiscal year 2024 increased a net amount of \$4,836,760.28 from fiscal year 2023. Salaries and benefits increased primarily due to the four percent raise that was given to all employees who were employed on June 30, 2023 and an increase in OPEB expenses allocated to the College. Supplies and services increased due to higher costs associated with instruction, student services and institutional support. Specifically, there was an increase in supplies and noncapitalizable equipment purchases for the Rural College Broadband Access program and Intellectual or Developmental Disability Training Program, as well as noncapitalizable network equipment. Scholarships and fellowships increased due to additional Pell grants awarded to students resulting from increased enrollment in curriculum education programs.

The following is a graphical representation of operating expenses.



### Capital Asset Activity

At the end of fiscal year 2024, capital assets (net of accumulated depreciation and amortization) amounted to \$44,975,401.18 in a broad range of capital assets. Depreciation and amortization charges for the fiscal year totaled \$1,913,165.32. Capital asset activity during the fiscal year included additions to machinery and equipment primarily for a portable crane, x-ray training phantom, IT equipment, and a handicapped-accessible van for students with intellectual and developmental disabilities, as well as the completion of a new cosmetology lab in Herring Hall and infrastructure improvements to a sewer line. For additional information on capital assets, see Note 6 to the financial statements.

## Factors Impacting Future Periods

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 Wilkes and Alleghany locations opened to faculty/staff and resumed classes on October 7, 2024, the Ashe location opened to faculty/staff on October 7, 2024, and classes resumed on October 14, 2024.

College enrollments have fully rebounded from the 15% decline in fiscal year 2021 associated with COVID-19 and are now above the 2019 levels. Enrollment increases have slowed but are anticipated to remain positive in the 2024-2025 academic year. While the College has expanded online instruction, scholarships, and other services to meet student needs, local employers offering higher wages are forcing many potential students to decide between the short-term rewards of work and longer-term benefits of higher education. The College is refocusing its marketing and recruiting efforts to both high school students and older, nontraditional students to emphasize the current and future advantages of additional education.

Enrollment trends will continue to be monitored to determine the optimal mix of services offered to continue to provide expanded learning opportunities to students and to focus on the College's core educational mission. The College experienced increasing enrollments in 2023-2024, funding for which will not be received until the 2024-2025 fiscal year as per the North Carolina community college state funding model.

In an effort to increase and stabilize enrollments, the College is continuing to place an emphasis on distance learning, short-term training opportunities, and partnerships with public school systems in its educational service area. This includes the Wilkes Early College High School, the Ashe Early College High School, and the Career and College Promise program that continue to see significant numbers of students enrolled. These programs target populations that may be underserved and offer expanded opportunities for educational growth for high school students. High school students now account for over 45% of curriculum student enrollment. The Foundation is providing funding for course fees for high school students to allow them to take college courses at no cost. Possible new educational programs are also being reviewed which will bring in new students and meet some pressing community needs. In addition, existing programs are being reviewed to ensure that they are viable.

The College embarked on a comprehensive strategic planning process in the fall of 2017, with the implementation of first-year strategies in the fall of 2018 and additional strategies being implemented each successive fall. The primary goal of the plan was to increase student completion rates through various means and to increase student economic mobility through expanded education and earnings potential. As a result of the strategies that were implemented, the graduation rate has increased from 26% to 55%. The College will begin formulating a new strategic plan in 2025.

Through fundraising of the Foundation, the College established the WCC Education Promise scholarship program in 2021. The program is a two-year, last dollar scholarship designed to ensure every qualifying student graduating from high school in Wilkes, Ashe and Alleghany counties can get a degree from the College tuition-free. The program began with the 2021 high school graduates. While the overall impact to enrollments is difficult to quantify, results have been encouraging, and it is expected that it will be positive in future years as more potential students take advantage of the scholarship.



The College's business-type activities continue to struggle to fully recover from changes brought about by COVID-19. The John A. Walker Community Center has experienced lower sales of event tickets and stagnant catering revenue while associated costs have continued to rise. The College bookstore sales have been trending lower for several years as instructors and students have made strides to transition to lower cost course materials and away from higher margin traditional textbooks. The College's administration is focused on finding strategies to return these activities to profitability.

Additionally, in an effort to reduce operational costs, the College has plans to eliminate vacant positions and review personnel costs through review of staffing levels and class sizes.

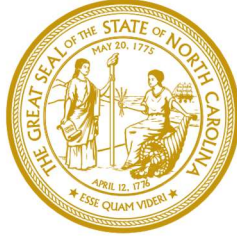
The College hired a new president effective June 1, 2024. Dr. Mike Rodgers' vision for the College includes a focus on student recruiting and retention, maintaining high graduation rates, and offering high-quality educational experiences, resources, and services that foster economic development and enhance cultural opportunities.

General economic conditions have continued to improve over the last several months as employment levels have remained high and economic activity has been positive. The State of North Carolina continues to have a budget surplus. However, continuing political uncertainties and sharply divided legislatures at both the state and national levels, as well as changing education and tax policies and funding priorities, could have a negative effect on funding levels for community colleges. College budgets could be impacted significantly if student enrollment does not further rebound, if economic conditions within the State decline, or if educational funding priorities change as the result of political decisions.

### **Requests for Information**

This financial report is designed to provide an overview of the College's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Wilkes Community College, Senior Vice-President of Administration, PO Box 120, 1328 South Collegiate Drive, Wilkesboro, North Carolina 28697.





# Financial Statements

**Wilkes Community College**  
**Statement of Net Position**  
**June 30, 2024**

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

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 11,335.26
Restricted Cash and Cash Equivalents	216,818.11
Receivables, Net (Note 5)	423,268.81
Due from Community College Component Unit	56,020.42
Inventories	509,439.63

Total Current Assets	1,216,882.23
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	253,366.38
Endowment Investments	5,798,693.78
Other Investments	167,475.89
Capital Assets - Nondepreciable (Note 6)	2,813,535.01
Capital Assets - Depreciable, Net (Note 6)	42,161,866.17

Total Noncurrent Assets	51,194,937.23
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Total Assets	52,411,819.46
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to Pensions	8,655,466.00
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	5,309,701.00

Total Deferred Outflows of Resources	13,965,167.00
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**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	1,071,348.60
Unearned Revenue	279,901.65
Funds Held for Others	340,845.34
Long-Term Liabilities - Current Portion (Note 8)	422,221.24

Total Current Liabilities	2,114,316.83
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Noncurrent Liabilities:

Long-Term Liabilities (Note 8)	38,833,389.08
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Total Liabilities	40,947,705.91
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pensions	182,121.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	5,932,854.00

Total Deferred Inflows of Resources	6,114,975.00
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**Wilkes Community College**  
**Statement of Net Position**  
**June 30, 2024**

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

**NET POSITION**

Net Investment in Capital Assets	44,115,582.53
Restricted:	
Nonexpendable:	
Scholarships and Fellowships	1,992,247.95
Restricted for Specific Programs	1,562,002.64
Total Restricted-Nonexpendable Net Position	3,554,250.59
Expendable:	
Scholarships and Fellowships	1,706,622.82
Restricted for Specific Programs	1,085,157.78
Total Restricted-Expendable Net Position	2,791,780.60
Unrestricted	(31,147,308.17)
Total Net Position	\$ 19,314,305.55

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

**Wilkes 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)	\$ 1,183,486.08
Federal Grants and Contracts	119,520.41
Sales and Services, Net (Note 11)	1,123,577.47
Other Operating Revenues	63,766.33
Total Operating Revenues	2,490,350.29

**OPERATING EXPENSES**

Salaries and Benefits	25,357,704.39
Supplies and Services	8,132,778.68
Scholarships and Fellowships	2,996,630.37
Utilities	1,129,493.96
Depreciation/Amortization	1,913,165.32
Total Operating Expenses	39,529,772.72
Operating Loss	(37,039,422.43)

**NONOPERATING REVENUES (EXPENSES)**

State Aid	19,240,103.92
County Appropriations	5,102,974.78
Student Financial Aid	4,909,154.51
Noncapital Contributions	4,466,719.12
Investment Income (Net of Investment Expense of \$24,227.58)	617,317.26
Interest and Fees on Debt	(46,336.89)
Other Nonoperating Expenses	(58,282.95)

Net Nonoperating Revenues 34,231,649.75

Loss Before Other Revenues (2,807,772.68)

State Capital Aid	650,673.62
County Capital Aid	10,788.22
Capital Contributions	844,469.49
Additions to Endowments	110,679.09

Total Other Revenues 1,616,610.42

Decrease in Net Position (1,191,162.26)

**NET POSITION**

Net Position - July 1, 2023	20,505,467.81
Net Position - June 30, 2024	\$ 19,314,305.55

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

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

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 2,505,553.90
Payments to Employees and Fringe Benefits	(25,267,522.92)
Payments to Vendors and Suppliers	(8,921,323.00)
Payments for Scholarships and Fellowships	(3,017,532.29)
Other Payments	(7,164.87)
	<hr/>
Net Cash Used by Operating Activities	(34,707,989.18)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid	19,240,103.92
County Appropriations	5,102,974.78
Student Financial Aid	4,902,552.42
Noncapital Contributions	4,564,733.98
Additions to Endowments	110,679.09
	<hr/>
Total Cash Provided by Noncapital Financing Activities	33,921,044.19

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

State Capital Aid	656,065.62
County Capital Aid	10,788.22
Capital Contributions	643,139.32
Proceeds from Sale of Capital Assets	25,385.45
Acquisition and Construction of Capital Assets	(1,034,296.91)
Principal Paid on Capital Debt and Lease/Subscription Liabilities	(279,666.00)
Interest and Fees Paid on Capital Debt and Lease/Subscription Liabilities	(46,336.89)
	<hr/>
Net Cash Provided by Capital Financing and Related Financing Activities	(24,921.19)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	664,154.45
Investment Income	151,457.09
Purchase of Investments and Related Fees	(595,213.97)
	<hr/>
Net Cash Provided by Investing Activities	220,397.57
	<hr/>
Net Decrease in Cash and Cash Equivalents	(591,468.61)
	<hr/>
Cash and Cash Equivalents - July 1, 2023	1,072,988.36
	<hr/>
Cash and Cash Equivalents - June 30, 2024	\$ 481,519.75

**Wilkes 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	\$ (37,039,422.43)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	1,913,165.32
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(12,794.95)
Inventories	163,166.28
Deferred Outflows Related to Pensions	(365,447.00)
Deferred Outflows Related to Other Postemployment Benefits	(1,626,489.00)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	213,042.84
Unearned Revenue	8,086.64
Funds Held for Others	(7,164.87)
Net Pension Liability	1,500,119.00
Net Other Postemployment Benefits Liability	3,269,001.00
Compensated Absences	32,575.99
Deferred Inflows Related to Pensions	(85,105.00)
Deferred Inflows Related to Other Postemployment Benefits	(2,670,723.00)
Net Cash Used by Operating Activities	<u>\$ (34,707,989.18)</u>

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

Assets Acquired through a Gift	\$ 201,330.17
Change in Fair Value of Investments	22,011.97
Loss on Disposal of Capital Assets	(58,282.95)
Increase in Receivables Related to Nonoperating/Other Revenues	26,467.97
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(28,308.00)

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

**Wilkes Community College Foundation, Inc.**  
**Statement of Financial Position**  
**June 30, 2024**

**Exhibit B-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 6,220,306
Current Unconditional Promises to Give	107,798
Other Receivables	138,131
Inventory	19,515
Prepaid Expenses	23,272

Total Current Assets	6,509,022
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Noncurrent Assets:

Fixed Assets:

Land	74,381
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Other Assets:

Cash Restricted for Long-Term Purposes	432,633
Long-Term Unconditional Promises to Give	43,951
Investments	7,238,697

Total Noncurrent Assets	7,715,281
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Total Assets	\$ 14,298,684
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**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 67,100
Deferred Revenue	67,912

Total Liabilities	135,012
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**NET ASSETS**

With Donor Restrictions	8,835,551
Without Donor Restrictions	5,328,121

Total Net Assets	14,163,672
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Total Liabilities and Net Assets	\$ 14,298,684
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The accompanying notes to the financial statements are an integral part of this statement.

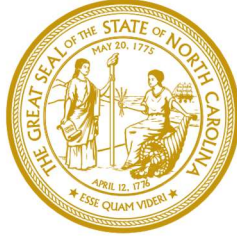
**Wilkes Community College Foundation, Inc.**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2024**

**Exhibit B-2**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Contributions	\$ 416,095	\$ 1,576,233	\$ 1,992,328
Fundraising Income	4,795,933	25,570	4,821,503
Interest Income	307,590	65,456	373,046
Miscellaneous Income	82,888	11,357	94,245
Change in Allowance for Doubtful Accounts	-	475	475
Bad Debt Recoveries	-	(1,872)	(1,872)
Transfer to Wilkes Community College	-	(1,475,633)	(1,475,633)
Dividend Income	-	194,656	194,656
Investment Fees	-	(29,446)	(29,446)
Realized Loss on Investments	-	(318,698)	(318,698)
Unrealized Gain on Investments	-	712,966	712,966
Total Revenues, Gains, and Other Support	5,602,506	761,064	6,363,570
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	100,030	(100,030)	-
Total Revenues, Gains, and Other Support	5,702,536	661,034	6,363,570
<b>EXPENSES</b>			
Program Services	2,167,513	-	2,167,513
Management and General	27,164	-	27,164
Fundraising	3,265,185	-	3,265,185
Total Expenses	5,459,862	-	5,459,862
Change in Net Assets	242,674	661,034	903,708
<b>NET ASSETS</b>			
Net Assets at Beginning of Year	5,085,447	8,174,517	13,259,964
Net Assets at End of Year	\$ 5,328,121	\$ 8,835,551	\$ 14,163,672

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

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 30 board members, of which seven positions were vacant at June 30, 2024. 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 \$3,643,144.57 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Executive Director of the Wilkes Community College Foundation, Inc. at Wilkes Community College, PO Box 120, Wilkesboro, NC 28697-0120.

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

Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and GASB Statement No. 84, *Fiduciary Activities*, the full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

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

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

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

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

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

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

- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using either the first-in, first-out or the last invoice cost method. Bookstore inventories consisting of merchandise for resale is valued at the last invoice cost method for supply and gift items and the average cost method for textbooks.

- 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	15-100 years
Machinery and Equipment	2-60 years
Art, Literature, and Artifacts	25-35 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 \$5,000 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 whose use is limited by external parties or statute and endowment and other restricted investments.
- J. **Accounting and Reporting of Fiduciary Activities** - Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows.

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

- K. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes a note from direct borrowing. Other long-term liabilities include: lease liabilities,

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

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next 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 bookstore, the John A. Walker Events functions, and hospitality services. 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

**College** - The College is required by North Carolina General Statute 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with North Carolina General Statute 115D-58.7. Official depositories may be established with any bank, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2024 was \$6,450.00. The carrying amount of the College's deposits not with the State Treasurer was \$475,069.75, and the bank balance was \$956,791.56.

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.

**Component Unit** - The College's discretely present component unit's, the Foundation, carrying amount of deposits at June 30, 2024 was \$6,652,939.00 and the bank balance was \$6,697,507.00.

#### B. Investments

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

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6(d1) or

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

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

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

<b>Investments</b>					
	Amount	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10
<b>Investment Type</b>					
Debt Securities					
Debt Mutual Funds	\$ 1,123,244.26	\$ 131,236.26	\$ 276,799.00	\$ 505,121.00	\$ 210,088.00
Money Market Mutual Funds	272,125.90	272,125.90	-	-	-
<b>Total Debt Securities</b>	<b>1,395,370.16</b>	<b>\$ 403,362.16</b>	<b>\$ 276,799.00</b>	<b>\$ 505,121.00</b>	<b>\$ 210,088.00</b>
Other Securities					
International Mutual Funds	825,855.16				
Equity Mutual Funds	3,033,374.86				
Alternative Investments	446,683.36				
Real Asset Funds	264,886.13				
<b>Total Investments</b>	<b>\$ 5,966,169.67</b>				

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



	Amount	AAA Aaa	AA Aa	A
Debt Mutual Funds	\$ 1,123,244.26	\$ -	\$ 924,383.26	\$ 198,861.00
Money Market Mutual Funds	272,125.90	272,125.90	-	-
Totals	<u>\$ 1,395,370.16</u>	<u>\$ 272,125.90</u>	<u>\$ 924,383.26</u>	<u>\$ 198,861.00</u>

Rating Agency: Standard & Poor's

**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 Foundation investment balance as of June 30, 2024 was \$7,238,697.00.

## 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 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				
Debt Mutual Funds	\$ 1,123,244.26	\$ 1,123,244.26	\$ -	\$ -
Money Market Mutual Funds	272,125.90	272,125.90	-	-
Total Debt Securities	1,395,370.16	1,395,370.16	-	-
Other Securities				
International Mutual Funds	825,855.16	825,855.16	-	-
Equity Mutual Funds	3,033,374.86	3,033,374.86	-	-
Alternative Investments	446,683.36	446,683.36	-	-
Real Asset Funds	264,886.13	264,886.13	-	-
Total Investments by Fair Value Level	\$ 5,966,169.67	\$ 5,966,169.67	\$ -	\$ -

**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's current assets and investments are reported at fair value in the accompanying statement of financial position, except for the Foundation's investment in land, which is reported at cost. The method used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurements at the reporting date. The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs include items for which a quoted market price is not available and fair value is based on fair values of similar items, and Level 3 inputs are unobservable and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at the fair value on a recurring basis at June 30, 2024 are as follows:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments	\$ 7,011,894.00	\$ 7,011,894.00

The Foundation recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended June 30, 2024.

#### Note 4 - Endowment Investments

Investments of the College's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Investment return of the College's endowment funds is predicated on the total return concept (yield plus appreciation). Annual payouts from the College's endowment funds are based on an adopted spending policy which specifies that assets will be invested in total return capacity with no distinction made between investment yields and capital appreciation. Generally, the Board will spend up to 3.5% of the total endowed assets based on an average 3-year market value. At June 30, 2024, net appreciation of \$43,190.71 was available to be spent, all of which was classified in net position as restricted for scholarships and fellowships.

#### Note 5 - Receivables

Receivables at June 30, 2024, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 394,921.63	\$ 155,072.36	\$ 239,849.27
Student Sponsors	28,132.60	809.56	27,323.04
Accounts	27,200.09	-	27,200.09
Intergovernmental	114,496.16	-	114,496.16
Other	14,400.25	-	14,400.25
<b>Total Current Receivables</b>	<b>\$ 579,150.73</b>	<b>\$ 155,881.92</b>	<b>\$ 423,268.81</b>

**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	\$ 1,981,867.70	\$ -	\$ -	\$ 1,981,867.70
Art, Literature, and Artifacts	527,929.99	-	-	527,929.99
Construction in Progress	2,074,703.53	295,719.12	2,066,685.33	303,737.32
<b>Total Capital Assets, Nondepreciable</b>	<b>4,584,501.22</b>	<b>295,719.12</b>	<b>2,066,685.33</b>	<b>2,813,535.01</b>
Capital Assets, Depreciable:				
Buildings	54,583,652.89	1,771,003.85	-	56,354,656.74
Machinery and Equipment	12,242,431.62	638,600.55	553,639.47	12,327,392.70
Art, Literature, and Artifacts	45,500.00	-	-	45,500.00
General Infrastructure	5,144,974.61	390,162.42	-	5,535,137.03
Right-to-Use Leased Machinery and Equipment	371,005.00	-	19,939.00	351,066.00
Right-to-Use Subscription Assets	942,776.00	-	-	942,776.00
<b>Total Capital Assets, Depreciable</b>	<b>73,330,340.12</b>	<b>2,799,766.82</b>	<b>573,578.47</b>	<b>75,556,528.47</b>
Less Accumulated Depreciation/Amortization for:				
Buildings	21,695,715.05	1,059,946.56	-	22,755,661.61
Machinery and Equipment	6,323,064.88	455,657.51	489,910.07	6,288,812.32
Art, Literature, and Artifacts	45,077.34	60.84	-	45,138.18
General Infrastructure	3,664,333.89	100,052.20	-	3,764,386.09
Right-to-Use Leased Machinery and Equipment	85,256.05	114,372.78	-	199,628.83
Right-to-Use Subscription Assets	157,959.84	183,075.43	-	341,035.27
<b>Total Accumulated Depreciation/Amortization</b>	<b>31,971,407.05</b>	<b>1,913,165.32</b>	<b>489,910.07</b>	<b>33,394,662.30</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>41,358,933.07</b>	<b>886,601.50</b>	<b>83,668.40</b>	<b>42,161,866.17</b>
<b>Capital Assets, Net</b>	<b>\$ 45,943,434.29</b>	<b>\$ 1,182,320.62</b>	<b>\$ 2,150,353.73</b>	<b>\$ 44,975,401.18</b>

**Note 7 - Accounts Payable and Accrued Liabilities**

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

	Amount
<b>Current Accounts Payable and Accrued Liabilities:</b>	
Accounts Payable	\$ 422,218.99
Accounts Payable - Capital Assets	11,888.49
Accrued Payroll	637,241.12
<b>Total Current Accounts Payable and Accrued Liabilities</b>	<b>\$ 1,071,348.60</b>

**Note 8 - Long-Term Liabilities**

**A. Changes in 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
Long-Term Debt					
Note from Direct Borrowing	\$ 61,858.16	\$ -	\$ -	\$ 61,858.16	\$ 61,858.16
Other Long-Term Liabilities					
Lease Liabilities	289,796.00	-	112,271.00	177,525.00	100,076.00
Subscription (SBITA) Liabilities	775,942.00	-	167,395.00	608,547.00	209,509.00
Compensated Absences	2,109,958.17	2,142,534.16	2,109,958.17	2,142,534.16	50,778.08
Net Pension Liability	13,196,234.00	1,500,119.00	-	14,696,353.00	-
Net Other Postemployment Benefits Liability	18,328,100.00	3,240,693.00	-	21,568,793.00	-
Total Other Long-Term Liabilities	34,700,030.17	6,883,346.16	2,389,624.17	39,193,752.16	360,363.08
<b>Total Long-Term Liabilities</b>	<b>\$ 34,761,888.33</b>	<b>\$ 6,883,346.16</b>	<b>\$ 2,389,624.17</b>	<b>\$ 39,255,610.32</b>	<b>\$ 422,221.24</b>

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.

**B. Note from Direct Borrowing** - The College was indebted for a note from direct borrowing for the purpose shown in the following table:

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Outstanding June 30, 2024
Server Equipment	Dell Financial Services	4.69%	07/30/2024	\$ 294,659.30	\$ 61,858.16

The annual requirement to pay principal and interest on the note from direct borrowing at June 30, 2024, was as follows:

Fiscal Year	Principal	Interest
2025	\$ 61,858.16	\$ 2,966.89

**Note 9 - Leases and Subscription-Based Information Technology Arrangements**

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

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

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

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2024	Current Portion	Lease Terms <sup>(1)</sup>	Interest Rate
Lessee:					
Right-to-Use Leased Machinery and Equipment	3	\$ 177,525.00	\$ 100,076.00	3 years	4.69%

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

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

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

The College's SBITAs at June 30, 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	4	\$ 608,547.00	\$ 209,509.00	5-6 years	4.69%

**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	\$ 100,076.00	\$ 6,172.00	\$ 209,509.00	\$ 27,241.00
2026	77,449.00	1,521.00	183,589.00	18,957.00
2027	-	-	158,061.00	10,282.00
2028	-	-	29,298.00	2,067.00
2029	-	-	28,090.00	663.00
<b>Total Requirements</b>	<b>\$ 177,525.00</b>	<b>\$ 7,693.00</b>	<b>\$ 608,547.00</b>	<b>\$ 59,210.00</b>

## Note 10 - Net Position

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (6,223,008.00)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(22,191,946.00)
Effect on Unrestricted Net Position	(28,414,954.00)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	(2,732,354.17)
<b>Total Unrestricted Net Position</b>	<b>\$ (31,147,308.17)</b>

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

## Note 11 - Revenues

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
<b>Operating Revenues:</b>				
Student Tuition and Fees, Net	\$ 3,358,740.97	\$ 2,216,552.68	\$ (41,297.79)	\$ 1,183,486.08
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Vending	\$ 8,310.47	\$ -	\$ -	\$ 8,310.47
John A. Walker Events	168,109.39	-	-	168,109.39
Childcare Development Center	249.00	-	-	249.00
Bookstore	1,134,933.04	425,854.57	61,964.82	647,113.65
Hospitality Services	209,836.62	-	-	209,836.62
Sales and Services of Education and Related Activities	89,722.99	-	(235.35)	89,958.34
<b>Total Sales and Services, Net</b>	<b>\$ 1,611,161.51</b>	<b>\$ 425,854.57</b>	<b>\$ 61,729.47</b>	<b>\$ 1,123,577.47</b>

**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	\$ 12,307,203.18	\$ 3,333,438.41	\$ -	\$ -	\$ -	\$ 15,640,641.59
Public Service	132,697.03	32,098.41	-	-	-	164,795.44
Academic Support	3,099,146.74	287,241.04	-	-	-	3,386,387.78
Student Services	2,355,454.84	163,758.32	-	-	-	2,519,213.16
Institutional Support	4,731,482.09	2,036,894.18	4,189.81	62,943.23	-	6,835,509.31
Operations and Maintenance of Plant	2,208,021.06	843,734.38	-	1,066,550.73	-	4,118,306.17
Student Financial Aid	-	44,318.61	2,992,440.56	-	-	3,036,759.17
Auxiliary Enterprises	523,699.45	1,391,295.33	-	-	-	1,914,994.78
Depreciation/Amortization	-	-	-	-	1,913,165.32	1,913,165.32
<b>Total Operating Expenses</b>	<b>\$ 25,357,704.39</b>	<b>\$ 8,132,778.68</b>	<b>\$ 2,996,630.37</b>	<b>\$ 1,129,493.96</b>	<b>\$ 1,913,165.32</b>	<b>\$ 39,529,772.72</b>

**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 \$928,832.28, and the College's contributions were \$2,730,766.90 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 \$14,696,353.00 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 0.08815%, which was a decrease of 0.00076 from its proportion measured as of June 30, 2022, which was 0.08891%.

**Actuarial Assumptions:** The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2022
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

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

\*\* Investment rate of return includes inflation assumption and is net of pension plan investment expense.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost-of-living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement. The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (the measurement date) are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
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%)
\$ 25,230,194.00	\$ 14,696,353.00	\$ 6,006,276.00

**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 \$3,780,605.00. 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	\$ 1,198,100.00	\$ 108,469.00
Changes of Assumptions	516,116.00	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4,092,933.10	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	117,550.00	73,652.00
Contributions Subsequent to the Measurement Date	2,730,766.90	-
<b>Total</b>	<b>\$ 8,655,466.00</b>	<b>\$ 182,121.00</b>

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 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	\$ 1,874,938.00
2026	1,072,218.00
2027	2,620,585.00
2028	174,837.10
<b>Total</b>	<b>\$ 5,742,578.10</b>

#### **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 \$1,105,310.41 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 \$28,308.00.

## 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 \$17,028.59 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 \$21,548,444.00 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 0.08086%, which was an increase of 0.00378 from its proportion measured as of June 30, 2022, which was 0.07708%.

*Disability Income Plan of North Carolina:* At June 30, 2024, the College reported a liability of \$20,349.00 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 0.07651%, which was a decrease of 0.00057 from its proportion measured as of June 30, 2022, which was 0.07708%.

*Actuarial Assumptions:* The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2023 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2022	12/31/2022
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
Healthcare Cost Trend Rate - Medical***	6.5% grading down to 5% by 2029	N/A
Healthcare Cost Trend Rate - Prescription Drug***	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	7% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	0% through 2025, 5% thereafter	N/A
Healthcare Cost Trend Rate - Administrative***	3%	N/A

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

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

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

N/A - Not Applicable



The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, other educational employee, general employee, or law enforcement officer) and health status (i.e. disabled or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2023.

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

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed Income	5.0%
Inflation Sensitive	2.7%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2023 is 0.78%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The RHBF is funded solely by employer contributions and benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of the State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for the benefits that were effective on or after July 1, 2019.

The actuarial assumptions used in the December 31, 2022 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

**Discount Rate:** The discount rate used to measure the total OPEB liability for RHBF was 3.65% at June 30, 2023 compared to 3.54% at June 30, 2022. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 3.65% was used as the discount rate used to measure the total OPEB liability. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00% at June 30, 2023 compared to 3.08% at June 30, 2022. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.00%, 3.00% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.65% was used during the period that the plan was projected to have no fiduciary net position. The 3.65% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2023.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:** The following presents the College's proportionate share of the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability			
	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
RHBF	\$ 25,420,490.00	\$ 21,548,444.00	\$ 18,394,920.00
	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
DIPNC	\$ 24,462.00	\$ 20,349.00	\$ 16,161.00

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:** The following presents the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability			
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 0% - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 0% - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 0% - 6%, Administrative - 4%)
RHBF	\$ 17,790,172.00	\$ 21,548,444.00	\$ 26,394,657.00

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

**OPEB Expense:** For the fiscal year ended June 30, 2024, the College recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	\$ 65,726.00
DIPNC	29,085.00
<b>Total OPEB Expense</b>	<b>\$ 94,811.00</b>

**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:**

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 237,291.00	\$ 17,833.00	\$ 255,124.00
Changes of Assumptions	2,334,352.00	1,483.00	2,335,835.00
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	172,140.00	26,578.00	198,718.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,394,669.00	3,016.00	1,397,685.00
Contributions Subsequent to the Measurement Date	1,105,310.41	17,028.59	1,122,339.00
<b>Total</b>	<b>\$ 5,243,762.41</b>	<b>\$ 65,938.59</b>	<b>\$ 5,309,701.00</b>

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 21,113.00	\$ 11,271.00	\$ 32,384.00
Changes of Assumptions	5,748,951.00	3,474.00	5,752,425.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	147,312.00	733.00	148,045.00
<b>Total</b>	<b>\$ 5,917,376.00</b>	<b>\$ 15,478.00</b>	<b>\$ 5,932,854.00</b>

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

Year Ending June 30:	RHBF	DIPNC
2025	\$ (906,565.00)	\$ 10,694.00
2026	(1,117,196.00)	6,567.00
2027	(354,020.00)	9,445.00
2028	598,857.00	3,522.00
2029	-	1,956.00
Thereafter	-	1,248.00
<b>Total</b>	<b>\$ (1,778,924.00)</b>	<b>\$ 33,432.00</b>

### **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. Losses from employee dishonesty for employees paid from county and institutional funds are covered with private insurance companies.

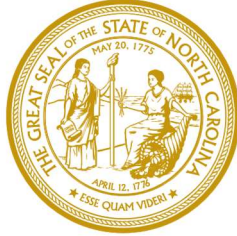
## **4. Statewide Workers' Compensation Program**

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 retained additional insurance coverage to address the following risks as of June 30, 2024: (1) employees who are involved in healthcare environments, and (2) the risk that results with the possibility of malpractice liability involved with a classroom laboratory environment. The College is protected from such risks by the purchase of insurance through private insurance companies.



# **Required Supplementary Information**

**Wilkes 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	0.08815%	0.08891%	0.08681%	0.08899%	0.09068%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 14,696,353.00	\$ 13,196,234.00	\$ 4,064,966.00	\$ 10,751,769.00	\$ 9,400,757.00
Covered Payroll	\$ 15,425,377.58	\$ 15,277,635.19	\$ 14,393,684.41	\$ 14,415,807.71	\$ 14,122,472.20
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	95.27%	86.38%	28.24%	74.58%	66.57%
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	0.08802%	0.09036%	0.09093%	0.09142%	0.08870%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 8,763,350.00	\$ 7,169,561.00	\$ 8,357,406.00	\$ 3,369,008.00	\$ 1,039,937.00
Covered Payroll	\$ 13,617,348.86	\$ 13,706,994.22	\$ 13,068,729.47	\$ 13,107,536.33	\$ 12,650,278.72
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	64.35%	52.31%	63.95%	25.70%	8.22%
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.



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

**Exhibit C-2**

<b>Teachers' and State Employees' Retirement System</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Contractually Required Contribution	\$ 2,730,766.90	\$ 2,680,930.62	\$ 2,502,476.64	\$ 2,127,386.56	\$ 1,869,730.26
Contributions in Relation to the Contractually Determined Contribution	2,730,766.90	2,680,930.62	2,502,476.64	2,127,386.56	1,869,730.26
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 15,480,537.99	\$ 15,425,377.58	\$ 15,277,635.19	\$ 14,393,684.41	\$ 14,415,807.71
Contributions as a Percentage of Covered Payroll	17.64%	17.38%	16.38%	14.78%	12.97%
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contribution	\$ 1,735,651.83	\$ 1,467,950.21	\$ 1,367,958.02	\$ 1,195,788.75	\$ 1,199,339.57
Contributions in Relation to the Contractually Determined Contribution	1,735,651.83	1,467,950.21	1,367,958.02	1,195,788.75	1,199,339.57
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 14,122,472.20	\$ 13,617,348.86	\$ 13,706,994.22	\$ 13,068,729.47	\$ 13,107,536.33
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.

**Wilkes 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

**Wilkes 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**

<b>Retiree Health Benefit Fund</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Proportionate Share Percentage of Collective Net OPEB Liability	0.08086%	0.07708%	0.07511%	0.07572%	0.07607%
Proportionate Share of Collective Net OPEB Liability	\$ 21,548,444.00	\$ 18,305,170.00	\$ 23,221,648.00	\$ 21,006,440.00	\$ 24,069,237.00
Covered Payroll	\$ 15,425,377.58	\$ 15,277,635.19	\$ 14,393,684.41	\$ 14,415,807.71	\$ 14,122,472.20
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	139.69%	119.82%	161.33%	145.72%	170.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.73%	10.58%	7.72%	6.92%	4.40%
	<b>2019</b>	<b>2018</b>	<b>2017</b>		
Proportionate Share Percentage of Collective Net OPEB Liability	0.07651%	0.07465%	0.07927%		
Proportionate Share of Collective Net OPEB Liability	\$ 21,795,943.00	\$ 24,476,663.00	\$ 34,485,144.00		
Covered Payroll	\$ 13,617,348.86	\$ 13,706,994.22	\$ 13,068,729.47		
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	160.06%	178.57%	263.88%		
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	3.52%	2.41%		

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

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

Disability Income Plan of North Carolina	2024	2023	2022	2021	2020
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.07651%	0.07708%	0.07572%	0.07674%	0.07850%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ 20,349.00	\$ 22,930.00	\$ (12,368.00)	\$ (37,751.00)	\$ (33,873.00)
Covered Payroll	\$ 15,425,377.58	\$ 15,277,635.19	\$ 14,393,684.41	\$ 14,415,807.71	\$ 14,122,472.20
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.13%	0.15%	0.09%	0.26%	0.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.61%	90.34%	105.18%	115.57%	113.00%
	2019	2018	2017		
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.07663%	0.07814%	0.07945%		
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (23,277.00)	\$ (47,759.00)	\$ (49,338.00)		
Covered Payroll	\$ 13,617,348.86	\$ 13,706,994.22	\$ 13,068,729.47		
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.17%	0.35%	0.38%		
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.

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

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

<b>Retiree Health Benefit Fund</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Contractually Required Contribution	\$ 1,105,310.41	\$ 1,062,808.52	\$ 960,963.25	\$ 961,498.12	\$ 932,702.76
Contributions in Relation to the Contractually Determined Contribution	1,105,310.41	1,062,808.52	960,963.25	961,498.12	932,702.76
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 15,480,537.99	\$ 15,425,377.58	\$ 15,277,635.19	\$ 14,393,684.41	\$ 14,415,807.71
Contributions as a Percentage of Covered Payroll	7.14%	6.89%	6.29%	6.68%	6.47%
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contribution	\$ 885,479.01	\$ 823,849.61	\$ 796,376.36	\$ 731,848.85	\$ 719,603.74
Contributions in Relation to the Contractually Determined Contribution	885,479.01	823,849.61	796,376.36	731,848.85	719,603.74
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 14,122,472.20	\$ 13,617,348.86	\$ 13,706,994.22	\$ 13,068,729.47	\$ 13,107,536.33
Contributions as a Percentage of Covered Payroll	6.27%	6.05%	5.81%	5.60%	5.49%

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

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

<b>Disability Income Plan of North Carolina</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Contractually Required Contribution	\$ 17,028.59	\$ 15,425.38	\$ 13,749.87	\$ 12,954.32	\$ 14,415.81
Contributions in Relation to the Contractually Determined Contribution	17,028.59	15,425.38	13,749.87	12,954.32	14,415.81
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 15,480,537.99	\$ 15,425,377.58	\$ 15,277,635.19	\$ 14,393,684.41	\$ 14,415,807.71
Contributions as a Percentage of Covered Payroll	0.11%	0.10%	0.09%	0.09%	0.10%
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contribution	\$ 19,771.46	\$ 19,064.29	\$ 52,086.58	\$ 53,581.79	\$ 53,740.94
Contributions in Relation to the Contractually Determined Contribution	19,771.46	19,064.29	52,086.58	53,581.79	53,740.94
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 14,122,472.20	\$ 13,617,348.86	\$ 13,706,994.22	\$ 13,068,729.47	\$ 13,107,536.33
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.

**Wilkes 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**

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

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

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

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

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

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

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

*Method and Assumptions Used in Calculations of Actuarially Determined Contributions:* An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of College Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of College Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 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.

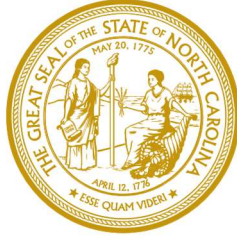
*Changes of Assumptions:* Consistent with prior years, for the actuarial valuation measured as of June 30, 2023 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.65%, from 3.54% as of June 30, 2022. This update was to reflect the 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***

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Board of Trustees  
Wilkes Community College  
Wilkesboro, 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 Wilkes 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 February 13, 2025. Our report includes a reference to other auditors who audited the financial statements of Wilkes Community College Foundation, Inc. (Foundation), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Foundation.

#### Internal Control Over Financial Reporting

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

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

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

February 13, 2025

# Ordering Information

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Copies of this report may be obtained by contacting:

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

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This audit required 308 hours at an approximate cost of \$47,740.