

Craven Community College

New Bern, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2023

A Component Unit of the State of North Carolina

UNBIASED. IMPACTFUL. IRREFUTABLE.



A Department of the
State of North Carolina





North Carolina Office of the State Auditor

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

Auditor's Transmittal

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

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

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

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

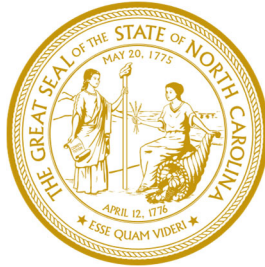
A handwritten signature in cursive script that reads "Jessica N. Holmes, J.D.".

Jessica N. Holmes, J.D.
State Auditor

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



Independent Auditor's Report



North Carolina Office of the State Auditor

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

Independent Auditor's Report

Board of Trustees
Craven Community College
New Bern, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Craven Community College (College), a component unit of the State of North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of Craven Community College, as of June 30, 2023, and the changes in financial position and 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 Craven Community College Foundation, Inc., which represent 7.5 percent and 2.4 percent, respectively, of the assets and revenues of the College or the financial statements of the Public Radio East and Affiliate, which represent 1.8 percent and 2.6 percent, respectively, of the assets and revenues of the College. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

Basis for Opinion

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 opinion.

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

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

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

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

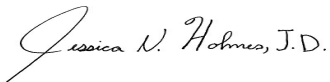
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as

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

Other Reporting Required by Government Auditing Standards

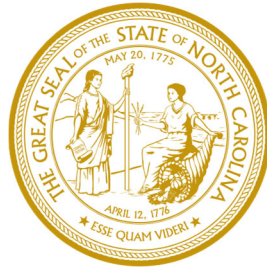
In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

March 27, 2024



Management's Discussion and Analysis

As management of Craven Community College (College), we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2023. This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (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*. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the College's financial statements, which follow this narrative.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the College's financial statements. The College's basic financial statements consist of three components; 1) Statement of Net Position; 2) Statement of Revenues, Expenses, and Changes in Net Position; and 3) Statement of Cash Flows.

Basic Financial Statements

The basic financial statements present information for Craven Community College as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The financial statements are accompanied by Notes to the Financial Statements that explain some of the information in the financial statements and provides more detail. The College's component units, Craven Community College Foundation, Inc. (Foundation) and Public Radio East and Affiliate (PRE), are blended with the financial information of the College in the following financial statements.

The Statement of Net Position (Exhibit A-1) presents a fiscal snapshot of the College as of June 30, 2023, and includes all assets, deferred outflows of resources, deferred inflows of resources, and liabilities. The difference between total assets with deferred outflows of resources and total liabilities with deferred inflows of resources is net position and may provide a useful indicator of whether the financial position of the College is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position (Exhibit A-2) presents information showing how the College's net position changed because of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (Exhibit A-3) presents information showing how the College's cash changed because of current year operations. The Statement of Cash Flows includes the reconciliation of operating loss to net cash used during the year.

The financial statements provide both long-term and short-term information about the College's overall financial status.

Notes to the Financial Statements and the Required Supplementary Information provide additional information that is essential to a full understanding of the data provided in the basic

financial statements. The notes to the financial statements follow the basic financial statements.

Financial Highlights

Craven Community College is experiencing enrollment increases as things adjust post COVID-19 pandemic. A significant portion of the funding for the College is received through state aid budget allocations, which are driven by budget full-time-equivalent (FTE). Budget FTE is calculated based on the higher of the prior year's enrollment or the average of the prior two years.

- Budgeted FTE for 2013-14 was 3,043, 2014-15 was 3,029, 2015-16 was 2,987, 2016-17 was 2,951, 2017-18 was 2,994, 2018-19 was 3,282, 2019-20 is 3,142, 2020-21 was 3,159, 2021-22 was 3,043, 2022-23 was 3,070, and 2023-24 is 3,160.
- The College's allocation for FTE earned on curriculum base increased in total by \$127,825 and allocation for FTE earned on continuing education base increased in total by \$537,029. The College also experienced an increase in Institutional and Academic Support funding of \$476,819. Non-recurring allotments remained the same at \$509,091.

The College's financial statements are prepared on an accrual basis, which means that revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. Depreciation and amortization of capital assets are recognized in the Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Statement of Net Position

The Statement of Net Position presents the assets (current and noncurrent), deferred outflows, liabilities (current and noncurrent), deferred inflows, and net position (total assets and deferred outflows of resources minus total liabilities and deferred inflows) of the College. This statement provides a fiscal snapshot of the College's financial position as of June 30, 2023 as compared to June 30, 2022. The data provides readers of this statement information on assets available to continue operations, amounts due to vendors and employees; and the net position available for operations by the College.

	2023	2022 (Restated)	Change
Assets			
Current Assets	\$ 12,654,273.96	\$ 12,985,928.91	\$ (331,654.95)
Capital Assets, Net	33,300,794.36	33,326,894.56	(26,100.20)
Other Noncurrent Assets	5,542,082.81	4,908,064.83	634,017.98
Total Assets	<u>51,497,151.13</u>	<u>51,220,888.30</u>	<u>276,262.83</u>
Deferred Outflows of Resources	<u>11,255,776.58</u>	<u>8,019,003.00</u>	<u>3,236,773.58</u>
Liabilities			
Current Liabilities	1,365,606.66	1,517,070.53	(151,463.87)
Noncurrent Long-Term Liabilities	<u>27,493,826.08</u>	<u>23,891,859.78</u>	<u>3,601,966.30</u>
Total Liabilities	<u>28,859,432.74</u>	<u>25,408,930.31</u>	<u>3,450,502.43</u>
Deferred Inflows of Resources	<u>8,323,162.77</u>	<u>11,233,732.00</u>	<u>(2,910,569.23)</u>
Net Position			
Net Investment in Capital Assets	33,097,238.43	33,063,337.12	33,901.31
Restricted:			
Nonexpendable	2,948,101.69	2,810,447.16	137,654.53
Expendable	5,719,841.24	5,744,564.38	(24,723.14)
Unrestricted	<u>(16,194,849.16)</u>	<u>(18,981,382.53)</u>	<u>2,786,533.37</u>
Total Net Position	<u>\$ 25,570,332.20</u>	<u>\$ 22,636,966.13</u>	<u>\$ 2,933,366.07</u>

Current assets include cash and cash equivalents, receivables, inventories, and prepaid items. Noncurrent assets consist of cash, restricted due from primary government, due from State of North Carolina component units, investments, and capital assets. Capital assets include land, artwork, buildings, infrastructure, equipment, and right to use assets.

Current liabilities include amounts due to vendors, payroll compensation, unearned revenue for summer term, funds held for others, lease liabilities, subscription-based information technology arrangements (SBITA) liabilities, and the current portion of compensated absences for vacation leave due to employees. Noncurrent liabilities include the net pension liability, net OPEB liability, long-term lease liabilities, long-term SBITA liabilities, and long-term portion of compensated absences for vacation leave due to employees.

Net position is a measure of the value of all the College's assets plus deferred outflows of resources, less liabilities and deferred inflows of resources.

Notable changes in the Condensed Statement of Net Position include:

- Current assets decreased by \$331,654.95. Cash and cash equivalents increased by \$351,848.18 as a result of an increase in receipts from continuing education classes. Restricted cash and cash equivalents decreased by \$349,238.32 due to instructional supplies and noncapitalized equipment purchases. Receivables decreased by \$300,989.07 due to reduced receivables related to Higher Education Emergency Relief Funds (HEERF) at year end. Additionally, there was also a reduction in student receivables for both curriculum and workforce development self supporting funds due to fewer class offerings in the summer.
- Capital assets, net of depreciation decreased by \$26,100.20. See additional details below in the capital assets activity section.

- Other noncurrent assets increased by \$634,017.98. Due from State of North Carolina component units increased by \$495,115 due to a Golden LEAF Foundation grant for equipment. There was also an increase in noncurrent lease receivables of \$165,682.77 for radio tower space and an increase in restricted investments of \$200,798.69 due to market fluctuations. This was offset by a decrease in restricted cash and cash equivalents of \$217,015.48 due to expenditures for capital projects.
- Due to differences between actual and expected assumptions regarding the employee pension and the inclusion of other postemployment benefits, the College experienced an increase in deferred outflows for pensions and other postemployment benefits of \$3,236,773.58 and a decrease of deferred inflows for pensions and other postemployment benefits of \$2,910,569.23. The differences in assumptions were also the primary reason for the increase in noncurrent liabilities of \$3,601,966.30, which is offset with the addition of noncurrent SBITA liabilities of \$42,077.59 and change in lease liabilities. See Notes 13 and 14 of the Financial Statements for more details.
- Current liabilities decreased by \$151,463.87 mainly due to a decrease in unearned revenues due to reduced summer continuing education classes.
- Net position consists of investment in capital assets, restricted net position, and unrestricted net position. For the year ended June 30, 2023, net position increased by \$2,933,366.07. The increase in unrestricted net position resulted from the changes in cash, and the changes in deferred inflows, outflows, and long-term liabilities associated with the net pension liability and net OPEB. The increase in restricted nonexpendable net position was the result of the increases to endowment investments. The increase in investment in capital assets is the result of the items discussed in the capital asset section below.

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

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

	June 30, 2023	June 30, 2022 (Restated)	Change
Operating Revenues:			
Student Tuition and Fees, Net	\$ 2,986,568.43	\$ 2,121,344.20	\$ 865,224.23
Sales and Services	254,636.02	255,375.81	(739.79)
Lease Income	14,135.08	-	14,135.08
Other Operating Revenues	118,587.93	135,273.27	(16,685.34)
Total Operating Revenues	<u>3,373,927.46</u>	<u>2,511,993.28</u>	<u>861,934.18</u>
Operating Expenses:			
Salaries and Benefits	20,543,190.34	19,466,354.80	1,076,835.54
Supplies and Services	8,348,833.28	7,144,945.14	1,203,888.14
Scholarships and Fellowships	3,853,876.83	6,812,609.55	(2,958,732.72)
Utilities	1,096,498.82	919,817.16	176,681.66
Depreciation/Amortization	1,581,417.94	1,437,567.95	143,849.99
Total Operating Expenses	<u>35,423,817.21</u>	<u>35,781,294.60</u>	<u>(357,477.39)</u>
Operating Loss	(32,049,889.75)	(33,269,301.32)	1,219,411.57
Nonoperating Revenues			
State Aid	17,941,281.72	17,236,380.37	704,901.35
County Appropriations	4,304,125.20	4,101,425.00	202,700.20
Noncapital Contributions, Net	10,119,879.75	14,358,690.71	(4,238,810.96)
Lease Interest Revenue	8,643.80	-	8,643.80
Other Nonoperating Revenues (Expenses)	348,785.95	(1,131,021.99)	1,479,807.94
Net Nonoperating Revenues	<u>32,722,716.42</u>	<u>34,565,474.09</u>	<u>(1,842,757.67)</u>
Income Before Other Revenues	672,826.67	1,296,172.77	(623,346.10)
Other Revenues			
State Capital Aid	1,131,538.46	614,079.90	517,458.56
Other Capital Revenues	1,007,415.49	623,712.53	383,702.96
Additions to Endowments	121,585.45	166,687.75	(45,102.30)
Total Increase in Net Position	<u>2,933,366.07</u>	<u>2,700,652.95</u>	<u>232,713.12</u>
Net Position, Beginning	22,636,966.13	19,970,753.75	2,666,212.38
Restatement	-	(34,440.57)	34,440.57
Net Position, Ending	<u>\$ 25,570,332.20</u>	<u>\$ 22,636,966.13</u>	<u>\$ 2,933,366.07</u>
Total Revenues	<u>\$ 38,504,827.75</u>	<u>\$ 39,612,969.54</u>	<u>\$ (1,108,141.79)</u>
Total Expenses	<u>35,571,461.68</u>	<u>36,912,316.59</u>	<u>(1,340,854.91)</u>
Total Increase in Net Position	<u>\$ 2,933,366.07</u>	<u>\$ 2,700,652.95</u>	<u>\$ 232,713.12</u>

Operating revenues are received for providing goods and services to various customers and constituencies of the College. Operating expenses are used to acquire or produce resources required to provide for the mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided such as state and county aid, grants, and gifts.

Notable changes in the Condensed Statement of Revenues, Expenses, and Changes in Net Position include:

- Student tuition and fees, net increased by \$865,224.23 primarily due to an increase in tuition as a result of enrollment increases.

Management's Discussion and Analysis

- Lease income is separately recognized due to GASB Statement No. 87, *Leases*. This represents the lease between Public Radio East and US Cellular.
- Salaries and benefits increased by \$1,076,835.54 primarily due to the increase in pension expense under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- Supplies and services increased by \$1,203,888.14 due to an increase in supplies needed during the fiscal year as on campus classes returned post COVID-19 pandemic. Additionally the College had increased contracted instruction costs of \$270,320.00 for a new Junior Reserve Officers' Training Corps (JROTC) Aviation class, and \$355,373.00 for Rural College Broadband Access.
- Scholarships and fellowships decreased by \$2,958,732.72. This is primarily due to the exhaustion of HEERF funding for student scholarships received in previous fiscal years as a result of the COVID-19 pandemic.
- State aid increased in total by \$704,901.35. This was primarily due to the increase for regular state aid as a result of an increase in budgeted FTE allocations for the fiscal year.
- County noncapital appropriations increased by \$202,700.20, which included funds for additional janitorial services, and increased electricity costs.
- Noncapital contributions, net decreased by \$4,238,810.96. This section reflects an increase in student financial aid grants of \$278,493.59 due to increased enrollment and a decrease in federal aid – COVID of \$4,660,814.59 due to the exhaustion of the HEERF funds.
- Other nonoperating revenues and expenses increased by \$1,479,807.94 due primarily to the change in investment income as a result of market recovery. The net investment income in FY2022, which included a market loss, was (\$497,403.75) and in FY2023, which included a market gain, the net investment income was \$496,430.42. In addition, the loss on disposal of fixed assets was \$169,816.95 less than the prior year.
- Additions to endowments decreased by \$45,102.30; however, several new endowments were established, including the Doty Refugee Assistance, Coastal NC Veterans, the Britney Nicole McClendon, and the Robert Joseph & June Ruth Lang scholarship endowments.
- State capital aid increased by \$517,458.56 due to upgrading equipment in various departments.
- Other capital revenues increased \$383,702.96 primarily due to a new grant from Golden LEAF for equipment for the VOLT Center.

Capital Asset Activity

The College's capital assets, net of depreciation and amortization decreased by \$26,100.20. Machinery and equipment increases were related to phone system upgrades and simulators

for industrial technology and emergency services. That was offset by depreciation and amortization of \$1,581,417.94 and the net disposals of \$131,395.46. The College implemented GASB Statement No. 87, *Leases*, in FY2022 to recognize the right-to-use leased assets. The College implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), in FY2023 to recognize the right-to-use subscription assets. A new subscription asset was recognized with a value of \$96,039.97, and current year amortization expense of \$46,099.19.

See Notes 6, 9, and 19 below for further details.

	Capital Assets		
	2023	2022 (Restated)	Change
Land	\$ 596,500.00	\$ 596,500.00	\$ -
Construction in Progress	59,841.73	-	59,841.73
Artwork	280,935.75	280,935.75	-
Buildings	21,697,950.99	22,450,495.88	(752,544.89)
Machinery and Equipment	8,970,967.70	8,248,600.29	722,367.41
General Infrastructure	1,460,940.67	1,413,159.22	47,781.45
Right-to-Use Leased Land	40,624.79	44,412.02	(3,787.23)
Right-to-Use Leased Machinery and Equipment	143,091.95	196,751.43	(53,659.48)
Right-to-Use Subscription Assets	49,940.78	96,039.97	(46,099.19)
Total	\$ 33,300,794.36	\$ 33,326,894.56	\$ (26,100.20)

Economic Factors and Next Year’s Budget

The economy of the State of North Carolina has shown great improvement as noted in the NC Today document published for July 2023 as compared to August 2022. The unemployment rate trend continues to go down dropping from 3.5% in August 2022 to 3.3% in July 2023. The national trend reported 3.7% for the prior year to 3.5% in the current year. From a local perspective the unemployment rate for Craven County decreased from 4.2% in the prior year to 3.6% in August 2023 per the North Carolina Department of Commerce Labor and Economic Analysis.

The College’s state baseline budget allocation for 2023-2024 increased slightly to \$23,491,547.00. The College receives additional specialized allocations to assist with providing services and support to our students. So far in FY2024, the College has received \$829,622 in additional allocations, some of which has carried forward from FY2023. The College’s state baseline budget allocation for 2022-2023 was \$22,181,152 and throughout the year, additional allocations totaled \$2,387,959.

The College continues to utilize funding from the Department of Education through the American Rescue Plan (ARP) funds from the institutional portion. From this funding, the College was approved for a project to replace windows and doors to enhance ventilation which was completed in March 2024.

For the College, it appears that our curriculum enrollment is increasing. Recent data comparing Fall 2023 to Fall 2022 at the same point of the semester shows a 5.0% increase in curriculum, a 14.4% decrease for Workforce Development and a 10.7% decrease for Basic Skills. Management continuously reviews options that they hope will help increase enrollment and meet the needs of our students and community.

The College also continues to expand partnerships with our community and industry partners, such as the partnership with the City of New Bern on the VOLT project. The first portion of the project was the Workforce Development Training Center which occupied the two story 7,504 sq. ft. building in June 2019. The center brings workforce development programs to an underserved population. The Small Business Center was moved to the VOLT complex in August 2020. The College took possession of the Diesel Mechanic and Heavy-Duty Equipment Operators Workforce Training Center on November 20, 2020 and the Law Enforcement Training Center on January 15, 2021. The College then added the VOLT Kitchen, which began classes May 2022. The most recent change was an addition of two buildings to be renovated and serve as the Small Business Center Incubator and the Heavy Equipment Simulator training building.

Additionally, the College signed a lease agreement in partnership with Craven County to be able to facilitate and construct a Public Safety Training Center to consist of a dedicated training space for CDL truck driving, Emergency Medical Services, Firefighters, and Law Enforcement. The College has begun advanced planning to consist of a site master plan. Actual construction is contingent upon available funding.

Craven Community College continues to explore external funding sources to enhance programs and services at the College. The College was approved for its third TRiO Student Support Services (SSS) award initially totaling \$1,309,440 (\$261,888 per year) that runs from 2020-2025. In June 2023, the College received notification that the grantees received an across the board 4% increase in funding, which for the College equals \$10,476 in the upcoming grant year. TRiO SSS is a five-year grant which focuses on student support services. The College was awarded \$81,800 for FY23-24 to fund a Business Development Professional in support of the North Carolina Military Business Center. Our Workforce Development area received a \$50,880 grant for FY23-24 from North Carolina Department of Public Safety for vocational skills training for youth. The College was awarded \$200,000 in FY23 to be received incrementally through September of 2026 from the US Department of Commerce through North Carolina Agricultural and Technical State University to offer continuing education programs starting Summer 2023 that meet the objectives for STEPs4GROWTH certifications and degree attainments.

Craven Community College Foundation is also committed to seeking additional funding to allow more students access to a college education. For the 2023-2024 fiscal year, the Foundation was able to secure a grant from the Harold Bate Foundation for \$125,000 to fund scholarships for our students. The Foundation continues to work with major donors to establish endowments and scholarships to benefit our students. The Foundation also holds events such as the Community Fabric Awards to increase community awareness of the Foundation and its mission to help students with their educational needs. The proposed date for the upcoming Community Fabric Awards is April 23, 2024.

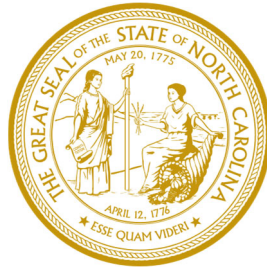
Public Radio East Foundation continues to explore grant opportunities as well. In FY22-23, they received a grant award of \$25,000 from the Harold Bate Foundation to assist with PRE Streams, Music and News, as well as a \$20,000 grant award to assist with American Public Media Programming. Additionally, PRE received \$9,000 from the North Carolina Community Foundation for General Operating Support. The Corporation for Public Broadcasting (CPB) continues to provide a grant to offset the cost of National Public Radio (NPR) programming. In 2023, Public Radio East received \$126,229.

Through planning and cost controls the College will maintain its healthy financial position during fiscally challenging times with minimal impact on services, students and staff. Enrollment trends are monitored to determine the optimal mix of services offered to continue to provide expanded learning opportunities to students.

With emphases on community engagement, partnerships, and economic development, Craven Community College actively collaborates with a variety of other organizations working to achieve broad-based economic development.

Requests for Information

This report is designed to provide an overview of the College's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Christine Sachs, Executive Director of Financial Services, Craven Community College, 800 College Court, New Bern, NC 28562. The College's website is www.cravencc.edu.



Financial Statements

Craven Community College
Statement of Net Position
June 30, 2023

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 8,227,445.25
Restricted Cash and Cash Equivalents	3,298,736.85
Receivables, Net (Note 5)	564,669.14
Inventories	180,088.11
Prepaid Items	358,914.61
Leases Receivable (Note 9)	24,420.00

Total Current Assets	12,654,273.96
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	2,029,072.33
Restricted Due from Primary Government	2,660.00
Restricted Investments	2,849,552.71
Due from State of North Carolina Component Units	495,115.00
Leases Receivable (Note 9)	165,682.77
Capital Assets - Nondepreciable (Note 6)	937,277.48
Capital Assets - Depreciable, Net (Note 6)	32,363,516.88

Total Noncurrent Assets	38,842,877.17
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Total Assets	51,497,151.13
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	7,177,289.00
Deferred Outflows Related to Other Postemployment Benefits (Note 14)	4,078,487.58

Total Deferred Outflows of Resources	11,255,776.58
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	815,508.10
Unearned Revenue	236,447.61
Funds Held for Others	136,490.70
Long-Term Liabilities - Current Portion (Note 8)	177,160.25

Total Current Liabilities	1,365,606.66
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Noncurrent Liabilities:

Long-Term Liabilities (Note 8)	27,493,826.08
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Total Liabilities	28,859,432.74
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	154,282.00
Deferred Inflows Related to Other Postemployment Benefits (Note 14)	7,978,778.00
Deferred Inflows for Leases	190,102.77

Total Deferred Inflows of Resources	8,323,162.77
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Craven Community College
Statement of Net Position
June 30, 2023

Exhibit A-1
Page 2 of 2

NET POSITION

Net Investment in Capital Assets	33,097,238.43
Restricted:	
Nonexpendable:	
Student Financial Aid	2,948,101.69
Expendable:	
Student Financial Aid	442,722.57
Loans	42,843.37
Restricted for Specific Programs	2,052,480.76
Capital Projects	2,500,876.90
Other	680,917.64
Total Restricted-Expendable Net Position	<u>5,719,841.24</u>
Unrestricted	<u>(16,194,849.16)</u>
Total Net Position	<u>\$ 25,570,332.20</u>

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

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

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 11)	\$ 2,986,568.43
Lease Income	14,135.08
Sales and Services	254,636.02
Other Operating Revenues	118,587.93
	<hr/>
Total Operating Revenues	3,373,927.46

OPERATING EXPENSES

Salaries and Benefits	20,543,190.34
Supplies and Services	8,348,833.28
Scholarships and Fellowships	3,853,876.83
Utilities	1,096,498.82
Depreciation/Amortization	1,581,417.94
	<hr/>
Total Operating Expenses	35,423,817.21

Operating Loss	<hr/> <u>(32,049,889.75)</u>
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NONOPERATING REVENUES (EXPENSES)

State Aid	17,941,281.72
County Appropriations	4,304,125.20
Student Financial Aid	5,094,553.90
Federal Aid - COVID-19	2,120,846.37
Noncapital Contributions, Net (Note 11)	2,904,479.48
Investment Income (Net of Investment Expense of \$14,241.62)	496,430.42
Lease Interest Revenue	8,643.80
Interest and Fees on Leases and Subscription Liabilities	(16,249.01)
Other Nonoperating Expenses	(131,395.46)
	<hr/>
Net Nonoperating Revenues	32,722,716.42

Income Before Other Revenues	<hr/> <u>672,826.67</u>
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State Capital Aid	1,131,538.46
County Capital Aid	499,999.80
Capital Contributions	507,415.69
Additions to Endowments	121,585.45
	<hr/>

Total Other Revenues	2,260,539.40
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Increase in Net Position	2,933,366.07
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NET POSITION

Net Position - July 1, 2022, as Restated (Note 19)	<hr/> <u>22,636,966.13</u>
Net Position - June 30, 2023	<hr/> <u>\$ 25,570,332.20</u>

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

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

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 3,565,771.63
Payments to Employees and Fringe Benefits	(23,033,960.41)
Payments to Vendors and Suppliers	(9,380,536.15)
Payments for Scholarships and Fellowships	(3,853,876.83)
Other Payments	(21,807.24)
	<hr/>
Net Cash Used by Operating Activities	(32,724,409.00)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid	17,941,281.72
County Appropriations	4,304,125.20
Student Financial Aid	5,094,553.90
Federal Aid - COVID-19	2,120,846.37
Noncapital Contributions	2,781,777.01
Additions to Endowments	121,585.45
	<hr/>
Cash Provided by Noncapital Financing Activities	32,364,169.65

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

State Capital Aid	1,131,538.46
County Capital Aid	499,999.80
Capital Contributions	12,300.69
Proceeds from Lease Arrangements	8,643.80
Acquisition and Construction of Capital Assets	(1,683,998.70)
Principal Paid on Lease/Subscription Liabilities	(102,551.84)
Interest and Fees Paid on Lease/Subscription Liabilities	(16,249.01)
	<hr/>
Net Cash Used by Capital Financing and Related Financing Activities	(150,316.80)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	200,028.11
Investment Income	315,257.26
Purchase of Investments and Related Fees	(219,134.84)
	<hr/>
Net Cash Provided by Investing Activities	296,150.53
Net Decrease in Cash and Cash Equivalents	(214,405.62)
Cash and Cash Equivalents - July 1, 2022	13,769,660.05
	<hr/>
Cash and Cash Equivalents - June 30, 2023	\$ 13,555,254.43

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

Exhibit A-3
Page 2 of 2

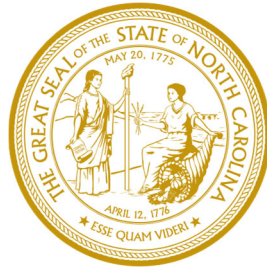
**RECONCILIATION OF OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (32,049,889.75)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation/Amortization Expense	1,581,417.94
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	307,323.74
Inventories	24,346.24
Prepaid Assets	33,349.50
Net Other Postemployment Benefits Asset	10,563.00
Deferred Outflows Related to Pensions	(3,416,046.00)
Deferred Outflows Related to Other Postemployment Benefits	179,272.42
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	(204.09)
Unearned Revenue	(115,481.99)
Funds Held for Others	(21,807.24)
Net Pension Liability	7,735,242.00
Net Other Postemployment Benefits Liability	(3,983,614.00)
Compensated Absences	91,791.23
Deferred Inflows Related to Pensions	(4,305,799.00)
Deferred Inflows Related to Other Postemployment Benefits	1,205,127.00
Net Cash Used by Operating Activities	<u>\$ (32,724,409.00)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	\$ 181,173.16
Loss on Disposal of Capital Assets	(131,395.46)
Assets Acquired through a Gift	518.80
Increase in Receivables Related to Other Revenues	495,115.00
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(115,849.00)

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

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

Blended Component Units - Although legally separate, Craven Community College Foundation, Inc. (Foundation) and Public Radio East and Affiliate (Radio Station) are reported as if they were part of the College. The Foundation's board consists of not less than 20 nor more than 30 directors. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. The Radio Station's board consists of not less than 15 nor more than 25 directors. The Radio Station's purpose is to serve the education and cultural needs of Eastern North Carolina. Because the elected directors of the Foundation and the Radio Station are appointed by the members of the Craven Community College Board of Trustees and their sole purpose is to benefit Craven Community College, their financial statements have been blended with those of the College.

Separate financial statements for the Foundation and Radio Station may be obtained from the College Controller's Office, 800 College Court, New Bern, NC 28562, or by calling (252) 672-7592.

Condensed combining information regarding blended component units is provided in Note 17.

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

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

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

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

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

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, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method.

- 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.

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	40-100 years
Machinery and Equipment	5-25 years
General Infrastructure	15-75 years

The College does not capitalize the Goodwin Library collection. This collection adheres to the College’s policy to maintain for public exhibition, education, or research; protect, keep unencumbered, care for, and preserve; and require proceeds from their sale to be used to acquire other collection items. Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

The Congleton Artwork collection is capitalized at fair value at the date of donation. This collection is considered inexhaustible and is therefore not depreciated.

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

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

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

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

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

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2022 *Annual Comprehensive Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 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 2022 *Annual Comprehensive Financial Report*. This liability represents the College's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund and Disability Income Plan of North Carolina. See Note 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 240 hours 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 240 hours at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals 240 hours.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next fiscal year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

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

Note 2 - Deposits and Investments

- A. Deposits** - The College is required by North Carolina General Statute 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with North Carolina General Statute 115D-58.7. Official depositories may be established with any bank, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. Cash on hand at June 30, 2023 was \$1,875.00. The carrying amount of the College's deposits not with the State Treasurer was \$1,926,424.01 and the bank balance was \$2,439,351.95.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2023, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6(d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3 (STIF); obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase

agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2023, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$11,626,955.42, which represents the College’s equity position in the State Treasurer’s Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 0.7 years as of June 30, 2023. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer’s Investment Pool (which includes the State Treasurer’s STIF) are included in the North Carolina Department of State Treasurer Investment Programs’ separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer’s website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

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.

Investments of the College’s component units, the Foundation and Radio Station, 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.

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

Investments

Investment Type	Amount
Mutual Funds	\$2,849,552.71

Note 3 - Fair Value Measurements

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

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

- Level 1 Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.
- Level 3 Investments classified as Level 3 have unobservable inputs and may require a degree of professional judgment.

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

	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments by Fair Value Level				
Other Securities				
Mutual Funds	\$ 2,849,552.71	\$ 2,849,552.71	\$ -	\$ -
Investments as a Position in an External Investment Pool				
Short-Term Investment Fund	11,626,955.42			
Total Investments Measured at Fair Value	<u>\$14,476,508.13</u>			

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

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

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. The College’s endowment donor agreements prohibit spending of nonexpendable balances that are not eligible for expenditure.

Unless the donor has stipulated otherwise, once the endowment is fully vested, the amount to be made available for disbursement will be determined by the greater amount of 80% of the prior calendar year’s investment returns with the remaining 20% reserved for capital accumulation or a minimum of \$500 per \$17,500 increment of endowment capital as of December 31st of the prior calendar year. At June 30, 2023, net appreciation of \$391,839.84, all of which was classified in net position as restricted: expendable: student financial aid as it is restricted for specific purposes.

Note 5 - Receivables

Receivables at June 30, 2023, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 204,276.13	\$ 22,686.79	\$ 181,589.34
Student Sponsors	57,875.39	2,802.47	55,072.92
Vendors	22,924.57	-	22,924.57
Intergovernmental	120,666.67	-	120,666.67
Pledges	167,212.51	33,441.83	133,770.68
Other	50,644.96	-	50,644.96
Total Current Receivables	\$ 623,600.23	\$ 58,931.09	\$ 564,669.14

Note 6 - Capital Assets

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

	Balance July 1, 2022 (as Restated)	Increases	Decreases	Balance June 30, 2023
Capital Assets, Nondepreciable:				
Land	\$ 596,500.00	\$ -	\$ -	\$ 596,500.00
Art	280,935.75	-	-	280,935.75
Construction in Progress	-	220,383.84	160,542.11	59,841.73
Total Capital Assets, Nondepreciable	877,435.75	220,383.84	160,542.11	937,277.48
Capital Assets, Depreciable:				
Buildings	39,975,177.16	70,141.60	22,046.74	40,023,272.02
Machinery and Equipment	14,682,322.40	1,466,329.36	232,225.64	15,916,426.12
General Infrastructure	2,723,697.09	90,400.51	-	2,814,097.60
Right-to-Use Leased Land	76,482.63	-	-	76,482.63
Right-to-Use Leased Machinery and Equipment	268,297.41	-	-	268,297.41
Right-to-Use Subscription Assets	138,297.56	-	-	138,297.56
Total Capital Assets, Depreciable	57,864,274.25	1,626,871.47	254,272.38	59,236,873.34
Less Accumulated Depreciation/Amortization for:				
Buildings	17,524,681.28	810,711.51	10,071.76	18,325,321.03
Machinery and Equipment	6,433,722.11	624,541.47	112,805.16	6,945,458.42
General Infrastructure	1,310,537.87	42,619.06	-	1,353,156.93
Right-to-Use Leased Land	32,070.61	3,787.23	-	35,857.84
Right-to-Use Leased Machinery and Equipment	71,545.98	53,659.48	-	125,205.46
Right-to-Use Subscription Assets	42,257.59	46,099.19	-	88,356.78
Total Accumulated Depreciation/Amortization	25,414,815.44	1,581,417.94	122,876.92	26,873,356.46
Total Capital Assets, Depreciable, Net	32,449,458.81	45,453.53	131,395.46	32,363,516.88
Capital Assets, Net	\$ 33,326,894.56	\$ 265,837.37	\$ 291,937.57	\$ 33,300,794.36

As of June 30, 2023, the total amount of right-to-use leased and subscription assets was \$344,780.04 and \$138,297.56, and the related accumulated amortization was \$161,063.30 and \$88,356.78, respectively.

Note 7 - Accounts Payable and Accrued Liabilities

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

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 265,834.67
Accrued Payroll	546,958.93
Contract Retainage	2,714.50
Total Current Accounts Payable and Accrued Liabilities	\$ 815,508.10

Note 8 - Long-Term Liabilities

A summary of changes in the long-term liabilities for the year ended June 30, 2023, is presented as follows:

	Balance July 1, 2022 (as Restated)	Additions	Reductions	Balance June 30, 2023	Current Portion
Long-Term Liabilities					
Lease Liabilities	\$ 215,077.71	\$ -	\$ 56,313.87	\$ 158,763.84	\$ 60,280.83
Subscription (SBITA) Liabilities	88,315.56	-	46,237.97	42,077.59	42,077.59
Compensated Absences	893,741.67	848,817.34	757,026.11	985,532.90	74,801.83
Net Pension Liability	3,489,943.00	7,735,242.00	-	11,225,185.00	-
Net Other Postemployment Benefits Liability	19,358,890.00	-	4,099,463.00	15,259,427.00	-
Total Long-Term Liabilities	\$ 24,045,967.94	\$ 8,584,059.34	\$ 4,959,040.95	\$ 27,670,986.33	\$ 177,160.25

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

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

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

Note 9 - Leases and Subscription-Based Information Technology Arrangements

A. Lessor Arrangements - The College leases the right to use general infrastructure to an external party. Lease receivables and related deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the 10 Year Treasury Risk Free Rate long term average of 4.25%.

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

During the year ended June 30, 2023, the College recognized operating revenues related to lessor arrangements totaling \$14,135.08, and nonoperating lease interest income totaling \$8,643.80.

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

Classification:	Number of Lease Contracts	Lease Receivable June 30, 2023	Current Portion	Lease Term	Interest Rate
Lessor:					
General Infrastructure	1	\$ 190,102.77	\$ 24,420.00	15 years	4.25%

B. Lessee Arrangements - The College has lease agreements for the right to use land and equipment from external parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use leased assets are recorded based on the present value of expected receipts over the term of the respective leases. The expected payments are discounted using the bank prime loan rate for the fiscal year the lease was

Notes to the Financial Statements

initially booked per GASB Statement No. 87 requirements, or the rate during the current fiscal year for new lease arrangements.

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

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

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2023	Current Portion	Lease Terms ⁽¹⁾	Interest Rate/ Ranges
Lessee:					
Right-to-Use Leased Land	2	\$ 47,247.19	\$ 5,717.44	16.06 years	4.38-8.25%
Right-to-Use Leased Machinery and Equipment	1	111,516.65	54,563.39	5 years	4.38%
Total	3	\$ 158,763.84	\$ 60,280.83		

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

C. Subscription-Based Information Technology Arrangements (SBITAs) - The College enters SBITAs for the right to use information technology software and cloud computing arrangement assets from external parties. 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 bank prime loan rate for the fiscal year the SBITA was initially booked per GASB Statement No. 96 requirements, or the rate during the current fiscal year for new lease arrangements.

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

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

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2023	Current Portion	SBITA Terms and Conditions	Interest Rate
Right-to-Use Subscription Assets	1	\$ 42,077.59	\$ 42,077.59	3 years	8.25%

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

Fiscal Year	Annual Requirements			
	Lease Liabilities		Subscription (SBITA) Liabilities	
	Principal	Interest	Principal	Interest
2024	\$ 60,280.83	\$ 7,337.32	\$ 42,077.59	\$ 3,471.41
2025	63,174.51	4,602.34	-	-
2026	6,588.99	1,740.04	-	-
2027	6,980.99	1,348.04	-	-
2028	6,897.30	931.73	-	-
2029-2033	14,841.22	1,304.57	-	-
Total Requirements	\$ 158,763.84	\$ 17,264.04	\$ 42,077.59	\$ 3,471.41

Note 10 - Net Position

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (4,202,178.00)
Net OPEB Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(19,159,717.42)</u>
Effect on Unrestricted Net Position	(23,361,895.42)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	<u>7,167,046.26</u>
Total Unrestricted Net Position	<u>\$ (16,194,849.16)</u>

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

Note 11 - Revenues

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

	Gross Revenues	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	<u>\$ 5,259,543.56</u>	<u>\$ 2,247,485.87</u>	<u>\$ 25,489.26</u>	<u>\$ 2,986,568.43</u>
Nonoperating Revenues:				
Noncapital Contributions, Net	<u>\$ 2,937,921.31</u>	<u>\$ -</u>	<u>\$ 33,441.83</u>	<u>\$ 2,904,479.48</u>

Note 12 - Operating Expenses by Function

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$ 9,678,917.53	\$ 3,318,159.14	\$ -	\$ -	\$ -	\$ 12,997,076.67
Public Service	501,158.40	538,298.72	-	52,079.70	-	1,091,536.82
Academic Support	3,772,833.92	481,689.00	-	-	-	4,254,522.92
Student Services	2,252,190.92	352,927.70	-	-	-	2,605,118.62
Institutional Support	2,635,193.76	2,375,434.88	-	-	-	5,010,628.64
Operations and Maintenance of Plant	1,657,570.00	1,217,789.45	-	1,044,419.12	-	3,919,778.57
Student Financial Aid	2,358.75	1,064.18	3,853,876.83	-	-	3,857,299.76
Auxiliary Enterprises	42,967.06	63,470.21	-	-	-	106,437.27
Depreciation/Amortization	-	-	-	-	1,581,417.94	1,581,417.94
Total Operating Expenses	\$ 20,543,190.34	\$ 8,348,833.28	\$ 3,853,876.83	\$ 1,096,498.82	\$ 1,581,417.94	\$ 35,423,817.21

Included in the scholarship and fellowship function are student financial aid operating expenses for emergency financial aid payments to eligible students. These payments are for expenses related to the disruption of campus operations due to the coronavirus of \$262,179.13 provided by the Higher Education Emergency Relief Fund (HEERF). Because of the administrative involvement by the College in providing the student awards, the related program activity is reported as nonoperating Federal Aid – COVID-19 revenue and student financial aid operating expenses. Since the purpose of the student aid is not for educational or scholarship purposes, they do not affect the scholarship discounting adjustments reported in Note 11.

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 full retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in

active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The College's contractually-required contribution rate for the year ended June 30, 2023 was 17.38% of covered payroll. Plan members' contributions to the pension plan were \$817,327.54, and the College's contributions were \$2,367,525.43 for the year ended June 30, 2023.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2022 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at 919-707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

Methods Used to Value TSERS Investment: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2022 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2023, the College reported a liability of \$11,225,185.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total pension liability to June 30, 2022. The College's proportion of the net pension liability was based on a projection of the present value of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2022, the College's proportion was 0.07563%, which was an increase of 0.00110 from its proportion measured as of June 30, 2021, which was 0.07453%.

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

Valuation Date	12/31/2021
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% inflation and productivity factor.

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

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc cost-of-living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (the measurement date) are summarized in the following table:

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

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

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2021 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2022 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

<u>Net Pension Liability</u>		
<u>1% Decrease (5.5%)</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
\$ 19,846,698.00	\$ 11,225,185.00	\$ 4,108,815.00

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2023, the College recognized pension expense of \$2,381,554. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 48,875.00	\$ 153,001.00
Changes of Assumptions	885,624.00	-
Net Difference Between Projected and Actual Earnings on Plan Investments	3,686,800.57	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	188,464.00	1,281.00
Contributions Subsequent to the Measurement Date	2,367,525.43	-
Total	\$ 7,177,289.00	\$ 154,282.00

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

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

<u>Year Ending June 30:</u>	<u>Amount</u>
2024	\$ 1,289,119.00
2025	1,188,949.00
2026	410,066.00
2027	1,767,347.57
2028	-
Total	\$ 4,655,481.57

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 2022 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at 919-707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are

recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

Methods Used to Value Plan Investments: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefit funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the *2022 Annual Comprehensive Financial Report*.

B. Plan Descriptions

1. Health Benefits

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, Local Education Agencies (LEAs), charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System (TSERS). RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 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, 2023 was 6.89% of covered payroll. The College's contributions to the RHBF were \$938,564.45 for the year ended June 30, 2023.

In fiscal year 2021, the Plan transferred \$187.0 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2023, the College recognized noncapital contributions for RHBF of \$115,849.00.

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, 2023 was 0.10% of covered payroll. The College's contributions to DIPNC were \$13,622.13 for the year ended June 30, 2023.

C. Net OPEB Liability

Retiree Health Benefit Fund: At June 30, 2023, the College reported a liability of \$15,239,951.00 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. The College's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2022, the College's proportion was 0.06418%, which was an increase of 0.00156 from its proportion measured as of June 30, 2021, which was 0.06262%.

Disability Income Plan of North Carolina: At June 30, 2023, the College reported a liability of \$19,476.00 for its proportionate share of the collective net OPEB liability for DIPNC. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. The College's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2022, the College's proportion was 0.06547%, which was an increase of 0.0008 from its proportion measured as of June 30, 2021, which was 0.06467%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2022 utilizing update procedures incorporating the actuarial assumptions.

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

* Salary increases include 3.25% inflation and productivity factor.

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

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

N/A - Not Applicable

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2022.

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

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

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

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

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

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits have been funded solely by employer contributions applied equally to all retirees. Currently, as described above, benefits are dependent on membership requirements.

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

The actuarial assumptions used in the December 31, 2021 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019,

as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.54% at June 30, 2022 compared to 2.16% at June 30, 2021. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 3.54% was used as the discount rate used to measure the total OPEB liability. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

The discount rate used to measure the total OPEB liability for DIPNC was 3.08% at June 30, 2022 compared to 3.0% at June 30, 2021. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.08%, 3.0% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.54% was used during the period that the plan was projected to have no fiduciary net position. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

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

	Net OPEB Liability		
	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
RHBF	\$ 17,951,823.00	\$ 15,239,951.00	\$ 13,026,502.00
	1% Decrease (2.08%)	Current Discount Rate (3.08%)	1% Increase (4.08%)
DIPNC	\$ 23,982.00	\$ 19,476.00	\$ 14,959.00

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

Net OPEB Liability			
	1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Med. Advantage - 0% - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Med. Advantage - 0% - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Med. Advantage - 0% - 6%, Administrative - 4%)
RHBF	\$ 12,545,559.00	\$ 15,239,951.00	\$ 18,724,623.00

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

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

OPEB Plan	Amount
RHBF	\$ (1,663,608.00)
DIPNC	28,004.00
Total OPEB Expense	\$ (1,635,604.00)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Employer Balances of Deferred Outflows of Resources Related to OPEB by Classification:			
	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 147,960.00	\$ 21,831.00	\$ 169,791.00
Changes of Assumptions	1,220,156.00	1,252.00	1,221,408.00
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	131,971.00	20,599.00	152,570.00
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,578,185.00	4,347.00	1,582,532.00
Contributions Subsequent to the Measurement Date	938,564.45	13,622.13	952,186.58
Total	\$ 4,016,836.45	\$ 61,651.13	\$ 4,078,487.58

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	\$ 42,171.00	\$ 3,608.00	\$ 45,779.00
Changes of Assumptions	6,936,060.00	-	6,936,060.00
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	-	-
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	995,331.00	1,608.00	996,939.00
Total	\$ 7,973,562.00	\$ 5,216.00	\$ 7,978,778.00

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

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

Year Ending June 30:	RHBF	DIPNC
2024	\$(1,645,833.00)	\$ 10,599.00
2025	(1,435,528.00)	12,020.00
2026	(1,244,061.00)	8,956.00
2027	(569,867.00)	7,071.00
2028	(1.00)	1,998.00
Thereafter	-	2,169.00
Total	\$(4,895,290.00)	\$ 42,813.00

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. Public Entity Risk Pool

State Public Education Property Insurance Fund

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

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

B. Employee Benefit Plans

1. State Health Plan

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

C. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

Although the majority of the College's assets are covered through the State Public Education Property Insurance Fund, some 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.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from county and institutional funds. This coverage is with a private insurance company and is handled by Craven Community College. The College is charged a premium by the private insurance company. Coverage limit on employee theft is \$250,000 per occurrence and forgery and alteration, theft of money and securities, robbery or safe burglary, computer fraud, money transfer fraud, and money orders and counterfeit money is \$100,000 per occurrence. The private insurance company pays 100% of each loss less a \$500 per occurrence deductible.

4. Statewide Workers' Compensation Program

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

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

5. Other Insurance Held by the College

Professional liability insurance of \$2,000,000 per claim and \$5,000,000 aggregate is provided to students participating in certain programs. Coverage is under a private

insurance policy. Faculty that instruct in those programs are covered under the college's private insurance policy.

The College purchased an Educators Legal Liability Coverage insurance rider (the "Policy") through its insurer, Cincinnati Insurance Company. The Policy includes a \$3,000,000 million aggregate limit of insurance, subject to a \$25,000 deductible.

Note 16 - Pending Litigation and Claims

The College is a defendant in a lawsuit filed by eight former students of the College's Aviation Management and Career Pilot ("AMCP") program. The lawsuit originated in federal court in the Eastern District of North Carolina. The thrust of the lawsuit is the plaintiffs' claims that the College misrepresented that its AMCP program was authorized by the Federal Aviation Administration to certify graduates as eligible to apply for the Restricted Privileges Airline Transport Pilot certificate, when, the plaintiffs allege, the College was not so authorized.

After engaging in discovery in the federal court, including the exchange of written information and deposition testimony, the plaintiffs requested, and the federal court allowed, the plaintiffs to dismiss their original federal court lawsuit. The plaintiffs then filed a new, substantially similar lawsuit in state court in North Carolina. The students' lawsuit is now pending both in the Craven County Superior Court and before the North Carolina Industrial Commission. The North Carolina Industrial Commission has jurisdiction over the plaintiffs' claims for negligence, while the Craven County Superior Court has jurisdiction over all other claims. The College has filed an appeal from a procedural decision issued by the Craven County Superior Court, and that court has granted the College's request to stay all further proceedings pending review of that procedural issue by the North Carolina Court of Appeals. The College has been, and will continue to, vigorously defend against all claims and liability.

At present, it is too early to tell whether this litigation will have any material impact on the College's financial position. Because it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. As discussed in Note 15, the College has the Educators Legal Liability Coverage insurance for these matters. The Policy includes a duty to defend, and Cincinnati has provided legal counsel to defend the College, subject to typical reservations of rights. The Policy contains a \$3,000,000 limit. Attorneys' fees paid by Cincinnati do not reduce the Policy's limit unless and until those attorneys' fees exceed \$2,000,000.

Note 17 - Blended Component Units

Condensed combining information for the College's blended component units for the year ended June 30, 2023, is presented as follows:

Condensed Statement of Net Position
June 30, 2023

	<u>College</u>	<u>CCC Foundation</u>	<u>PRE and Affiliate</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Current Assets	\$11,291,422.96	\$ 935,740.00	\$ 427,111.00	\$ -	\$12,654,273.96
Capital Assets, Net	32,991,365.36	-	309,429.00	-	33,300,794.36
Other Noncurrent Assets	2,428,297.81	2,948,102.00	165,683.00	-	5,542,082.81
Total Assets	<u>46,711,086.13</u>	<u>3,883,842.00</u>	<u>902,223.00</u>	<u>-</u>	<u>51,497,151.13</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>11,255,776.58</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,255,776.58</u>
LIABILITIES					
Current Liabilities	1,334,818.66	19,491.00	11,297.00	-	1,365,606.66
Long-Term Liabilities	27,419,838.08	-	73,988.00	-	27,493,826.08
Total Liabilities	<u>28,754,656.74</u>	<u>19,491.00</u>	<u>85,285.00</u>	<u>-</u>	<u>28,859,432.74</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8,133,059.77</u>	<u>-</u>	<u>190,103.00</u>	<u>-</u>	<u>8,323,162.77</u>
NET POSITION					
Net Investment in Capital Assets	32,835,056.43	-	262,182.00	-	33,097,238.43
Restricted - Nonexpendable	(25,000.31)	2,973,102.00	-	-	2,948,101.69
Restricted - Expendable	5,328,001.24	391,840.00	-	-	5,719,841.24
Unrestricted	(17,058,911.16)	499,409.00	364,653.00	-	(16,194,849.16)
Total Net Position	<u>\$21,079,146.20</u>	<u>\$ 3,864,351.00</u>	<u>\$ 626,835.00</u>	<u>\$ -</u>	<u>\$25,570,332.20</u>

Notes to the Financial Statements

Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2023

	College	CCC Foundation	PRE and Affiliate	Eliminations	Total
OPERATING REVENUES					
Student Tuition and Fees, Net	\$ 2,986,568.43	\$ -	\$ -	\$ -	\$ 2,986,568.43
Sales and Services	240,500.94	-	-	14,135.08	254,636.02
Contributions	-	-	750,055.00	(750,055.00)	-
Lifetime Learning Center	-	160,635.00	-	(160,635.00)	-
Community Fabric Awards	-	85,600.00	-	(85,600.00)	-
LLC Film and Lecture Series	-	3,571.00	-	(3,571.00)	-
Grant Revenue	-	-	170,229.00	(170,229.00)	-
Lease Income	-	-	14,135.00	-	14,135.08
Other	73,875.93	8,880.00	35,832.00	-	118,587.93
Total Operating Revenues	<u>3,300,945.30</u>	<u>258,686.00</u>	<u>970,251.00</u>	<u>(423,904.00)</u>	<u>3,373,927.46</u>
OPERATING EXPENSES					
Operating Expenses	32,550,728.27	651,484.00	1,064,091.00	(423,904.00)	33,842,399.27
Depreciation/Amortization	1,556,258.94	-	25,159.00	-	1,581,417.94
Total Operating Expenses	<u>34,106,987.21</u>	<u>651,484.00</u>	<u>1,089,250.00</u>	<u>(423,904.00)</u>	<u>35,423,817.21</u>
Operating Loss	<u>(30,806,041.91)</u>	<u>(392,798.00)</u>	<u>(118,999.00)</u>	<u>-</u>	<u>(32,049,889.75)</u>
NONOPERATING REVENUES (EXPENSES)					
State Aid	17,941,281.72	-	-	-	17,941,281.72
County Appropriations	4,304,125.20	-	-	-	4,304,125.20
Noncapital Contributions, Net	8,607,734.75	342,055.00	-	1,170,090.00	10,119,879.75
Investment Income, Net	270,435.42	219,801.00	6,194.00	-	496,430.42
Interest and Fees Expense	(16,249.01)	-	-	-	(16,249.01)
Lease Interest Revenue	-	-	8,644.00	-	8,643.80
Other Nonoperating Expenses	(84,723.46)	(44,883.00)	(1,789.00)	-	(131,395.46)
Net Nonoperating Revenues	<u>31,022,604.62</u>	<u>516,973.00</u>	<u>13,049.00</u>	<u>1,170,090.00</u>	<u>32,722,716.42</u>
State Capital Aid	1,131,538.46	-	-	-	1,131,538.46
County Capital Aid	499,999.80	-	-	-	499,999.80
Capital Contributions	507,415.69	-	-	-	507,415.69
Additions to Endowments	-	121,585.00	-	-	121,585.45
Total Other Revenues	<u>2,138,953.95</u>	<u>121,585.00</u>	<u>-</u>	<u>-</u>	<u>2,260,539.40</u>
Increase (Decrease) in Net Position	2,793,555.62	245,760.00	(105,950.00)	-	2,933,366.07
NET POSITION					
Net Position, July 1, 2022 (as Restated)	<u>18,285,590.13</u>	<u>3,618,591.00</u>	<u>732,785.00</u>	<u>-</u>	<u>22,636,966.13</u>
Net Position, June 30, 2023	<u>\$ 21,079,145.75</u>	<u>\$ 3,864,351.00</u>	<u>\$ 626,835.00</u>	<u>\$ -</u>	<u>\$ 25,570,332.20</u>

Condensed Statement of Cash Flows For the Fiscal Year Ended June 30, 2023

	College	CCC Foundation	PRE and Affiliate	Eliminations	Total
Net Cash Used by Operating Activities	\$ (32,178,232.00)	\$ (447,363.00)	\$ (98,814.00)	\$ -	\$ (32,724,409.00)
Net Cash Provided (Used) by Noncapital Financing Activities	31,916,382.65	451,923.00	(4,136.00)	-	32,364,169.65
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	(154,920.80)	-	4,604.00	-	(150,316.80)
Net Cash Provided by Investing Activities	270,435.53	19,521.00	6,194.00	-	296,150.53
Net Increase (Decrease) in Cash and Cash Equivalents	(146,334.62)	24,081.00	(92,152.00)	-	(214,405.62)
Cash and Cash Equivalents, July 1, 2022	12,426,506.05	981,995.00	361,159.00	-	13,769,660.05
Cash and Cash Equivalents, June 30, 2023	<u>\$ 12,280,171.43</u>	<u>\$ 1,006,076.00</u>	<u>\$ 269,007.00</u>	<u>\$ -</u>	<u>\$ 13,555,254.43</u>

Note 18 - Changes in Financial Accounting and Reporting

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

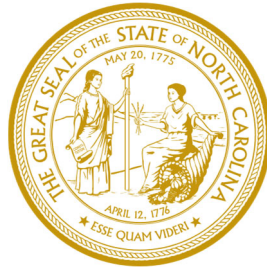
GASB Statement No. 96, Subscription-Based Information Technology Arrangements

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITAs.

Note 19 - Net Position Restatements

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

	Amount
July 1, 2022 Net Position as Previously Reported	\$ 22,671,406.70
Restatements:	
Implementation of GASB 96	7,724.41
Correction in Error of Lease Capitalization	(42,164.98)
July 1, 2022 Net Position as Restated	\$ 22,636,966.13



Required Supplementary Information

Craven 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 B-1

Teachers' and State Employees' Retirement System	2023	2022	2021	2020	2019
Proportionate Share Percentage of Collective Net Pension Liability	0.07563%	0.07453%	0.07252%	0.07346%	0.07744%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 11,225,185.00	\$ 3,489,943.00	\$ 8,761,864.00	\$ 7,615,567.00	\$ 7,709,995.00
Covered Payroll	\$ 12,615,311.22	\$ 12,258,765.77	\$ 11,966,789.55	\$ 11,629,766.41	\$ 11,506,472.07
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	88.98%	28.47%	73.22%	65.48%	67.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.14%	94.86%	85.98%	87.56%	87.61%
	2018	2017	2016	2015	2014
Proportionate Share Percentage of Collective Net Pension Liability	0.07558%	0.07265%	0.07489%	0.07239%	0.07590%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 5,996,851.00	\$ 6,677,285.00	\$ 2,759,845.00	\$ 848,716.00	\$ 4,607,903.00
Covered Payroll	\$ 11,259,221.69	\$ 10,610,208.84	\$ 10,650,532.10	\$ 10,460,136.59	\$ 11,077,467.99
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	53.26%	62.93%	25.91%	8.11%	41.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.51%	87.32%	94.64%	98.24%	90.60%

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

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

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

Exhibit B-2

Teachers' and State Employees' Retirement System	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually Required Contribution	\$ 2,367,525.43	\$ 2,066,387.98	\$ 1,811,845.58	\$ 1,552,092.60	\$ 1,429,298.29
Contributions in Relation to the Contractually Determined Contribution	<u>2,367,525.43</u>	<u>2,066,387.98</u>	<u>1,811,845.58</u>	<u>1,552,092.60</u>	<u>1,429,298.29</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 13,622,125.61	\$ 12,615,311.22	\$ 12,258,765.77	\$ 11,966,789.55	\$ 11,629,766.41
Contributions as a Percentage of Covered Payroll	17.38%	16.38%	14.78%	12.97%	12.29%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,240,397.69	\$ 1,123,670.32	\$ 970,834.11	\$ 974,523.69	\$ 908,985.87
Contributions in Relation to the Contractually Determined Contribution	<u>1,240,397.69</u>	<u>1,123,670.32</u>	<u>970,834.11</u>	<u>974,523.69</u>	<u>908,985.87</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 11,506,472.07	\$ 11,259,221.69	\$ 10,610,208.84	\$ 10,650,532.10	\$ 10,460,136.59
Contributions as a Percentage of Covered Payroll	10.78%	9.98%	9.15%	9.15%	8.69%

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

Craven Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2023

Changes of Benefit Terms:

Cost of Living Increase

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

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Adjustments (COLAs) in the period of the legislative session or Board of Trustees meeting when it was passed. The COLA is effective as of July 1 of that period and the fiscal year end plan liability is affected at June 30 of that year because the COLA is included in the actuarial assumptions used to calculate the plan net pension liability.

Effective July 1, 2017, the definition of law enforcement officer related to TSERS members was changed by the General Assembly to include Probation/Parole officers for retirement benefit purposes. The change includes officers with respect to service rendered on or after July 1, 2017, and provides for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at age 50 with 15 years of service as a law enforcement officer.

Effective July 1, 2017, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of July 1, 2016, received a 1% cost-of-living adjustment. Retirees and beneficiaries of retirees with retirement effective dates between July 1, 2016 and before June 30, 2017 received a prorated amount. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly.

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

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

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each year for the plan. The actuarially determined contribution rates in the Schedule of College Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Note 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 2022 *Annual Comprehensive Financial Report*.

N/A - Not Applicable

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

Exhibit B-3
Page 1 of 2

Retiree Health Benefit Fund	2023	2022	2021	2020	2019
Proportionate Share Percentage of Collective Net OPEB Liability	0.06418%	0.06262%	0.06024%	0.06160%	0.06700%
Proportionate Share of Collective Net OPEB Liability	\$ 15,239,951.00	\$ 19,358,890.00	\$ 16,711,795.00	\$ 19,488,699.00	\$ 19,085,742.00
Covered Payroll	\$ 12,615,311.22	\$ 12,258,765.77	\$ 11,966,789.55	\$ 11,629,766.41	\$ 11,506,472.07
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	120.81%	157.92%	139.65%	167.58%	165.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	10.58%	7.72%	6.92%	4.40%	4.40%
	2018	2017			
Proportionate Share Percentage of Collective Net OPEB Liability	0.06088%	0.06435%			
Proportionate Share of Collective Net OPEB Liability	\$ 19,961,169.00	\$ 27,994,437.00			
Covered Payroll	\$ 11,259,221.69	\$ 10,610,208.84			
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	177.29%	263.84%			
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3.52%	2.41%			

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

Exhibit B-3
Page 2 of 2

Disability Income Plan of North Carolina	2023	2022	2021	2020	2019
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.06547%	0.06467%	0.06214%	0.06347%	0.06745%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ 19,476.00	\$ (10,563.00)	\$ (30,569.00)	\$ (27,387.00)	\$ (20,489.00)
Covered Payroll	\$ 12,615,311.22	\$ 12,258,765.77	\$ 11,966,789.55	\$ 11,629,766.41	\$ 11,506,472.07
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.15%	0.09%	0.26%	0.24%	0.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.34%	105.18%	115.57%	113.00%	108.47%
	2018	2017			
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.06581%	0.06396%			
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (40,223.00)	\$ (39,719.00)			
Covered Payroll	\$ 11,259,221.69	\$ 10,610,208.84			
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.36%	0.37%			
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	116.23%	116.06%			

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

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

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

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

Retiree Health Benefit Fund	2023	2022	2021	2020	2019
Contractually Required Contribution	\$ 938,564.45	\$ 793,503.08	\$ 818,885.55	\$ 774,251.28	\$ 729,186.35
Contributions in Relation to the Contractually Determined Contribution	938,564.45	793,503.08	818,885.55	774,251.28	729,186.35
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 13,622,125.61	\$ 12,615,311.22	\$ 12,258,765.77	\$ 11,966,789.55	\$ 11,629,766.41
Contributions as a Percentage of Covered Payroll	6.89%	6.29%	6.68%	6.47%	6.27%
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 696,141.56	\$ 654,160.78	\$ 594,171.70	\$ 584,714.21	\$ 564,847.38
Contributions in Relation to the Contractually Determined Contribution	696,141.56	654,160.78	594,171.70	584,714.21	564,847.38
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 11,506,472.07	\$ 11,259,221.69	\$ 10,610,208.84	\$ 10,650,532.10	\$ 10,460,136.59
Contributions as a Percentage of Covered Payroll	6.05%	5.81%	5.60%	5.49%	5.40%

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

**Exhibit B-4
Page 2 of 2**

Disability Income Plan of North Carolina	2023	2022	2021	2020	2019
Contractually Required Contribution	\$ 13,622.13	\$ 11,353.78	\$ 11,032.89	\$ 11,966.79	\$ 16,281.67
Contributions in Relation to the Contractually Determined Contribution	13,622.13	11,353.78	11,032.89	11,966.79	16,281.67
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 13,622,125.61	\$ 12,615,311.22	\$ 12,258,765.77	\$ 11,966,789.55	\$ 11,629,766.41
Contributions as a Percentage of Covered Payroll	0.10%	0.09%	0.09%	0.10%	0.14%
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 16,109.06	\$ 42,785.04	\$ 41,329.81	\$ 43,667.18	\$ 46,024.60
Contributions in Relation to the Contractually Determined Contribution	16,109.06	42,785.04	41,329.81	43,667.18	46,024.60
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 11,506,472.07	\$ 11,259,221.69	\$ 10,610,208.84	\$ 10,650,532.10	\$ 10,460,136.59
Contributions as a Percentage of Covered Payroll	0.14%	0.38%	0.39%	0.41%	0.44%

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

Craven Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2023

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

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

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

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

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

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

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

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

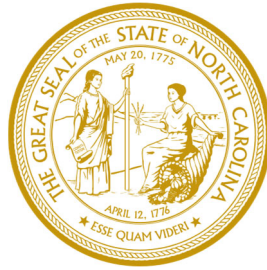
Changes of Assumptions: Consistent with prior years, for the actuarial valuation measured as of June 30, 2022 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.54%, from 2.16% as of June 30, 2021. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next five years. The terms of the Pharmacy Benefits Management contract effective January 1, 2023 were incorporated in the valuation.

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

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS and the Committee on Actuarial Valuation of Retired Employees' Health Benefits adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience. Also in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the TSERS actuarial valuation to better align with the anticipated incidence of disability.

For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2022 *Annual Comprehensive Financial Report*.



Independent Auditor's Report



North Carolina Office of the State Auditor

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

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

Board of Trustees
Craven Community College
New Bern, 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 Craven Community College (College), a component unit of the State of North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 27, 2024. Our report includes a reference to other auditors who audited the financial statements of Craven Community College Foundation, Inc. and Public Radio East and Affiliates, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

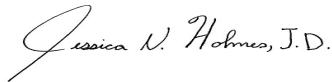
deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Jessica N. Holmes, J.D.
State Auditor

Raleigh, North Carolina

March 27, 2024

Ordering Information

Copies of this report may be obtained by contacting:

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

Telephone: 919-807-7500
Fax: 919-807-7647
Internet: www.auditor.nc.gov



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Internet: www.auditor.nc.gov/about-us/state-auditors-tipline

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

919-807-7666



This audit required 350 hours at an approximate cost of \$47,600.