AB Tech
Community College

FINANCIAL STATEMENT REPORT FOR THE YEAR ENDED JUNE 30, 2021

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ASHEVILLE–BUNCOMBE TECHNICAL COMMUNITY COLLEGE
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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Trustees
Asheville-Buncombe Technical Community College
Asheville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Asheville-Buncombe Technical Community College (the "College"), a component unit of the State of North Carolina, and the discretely presented component unit, Asheville-Buncombe Technical Community College Foundation (the "Foundation"), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and the discretely presented component unit of the College as of June 30, 2021, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements represent the financial position of the College. These financial statements are not intended to be a complete presentation of the financial position of the State of North Carolina, taken as a whole. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

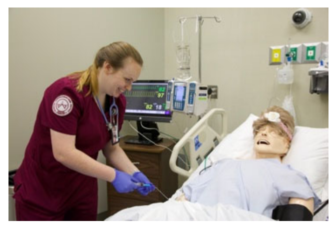
In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2022 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the College's 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.

Cherry Bekaert LLP

Charlotte, North Carolina
February 21, 2022

A-B Tech

Community College



MISSION

Dedicated to the success of students and communities, Asheville-Buncombe Technical Community College provides meaningful teaching and learning in a curriculum, continuing education, and workforce development environment committed to Respect, Integrity, Support, and Equity (RISE). We welcome everyone to join us.

Foundational Focus Areas:

- **Equity**
- **Learner Focused**
- **Removing Barriers**
- **Financial Wellness**

Management Discussion and Analysis

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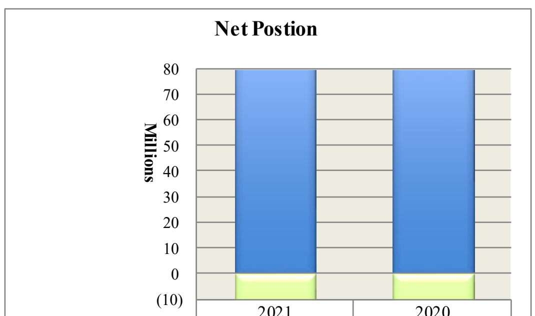
Management Discussion and Analysis

Our discussion and analysis of Asheville-Buncombe Technical Community College's (the "College") financial performance provides an overview of the College's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the financial statements and the notes thereto, which follow this section.

FINANCIAL HIGHLIGHTS

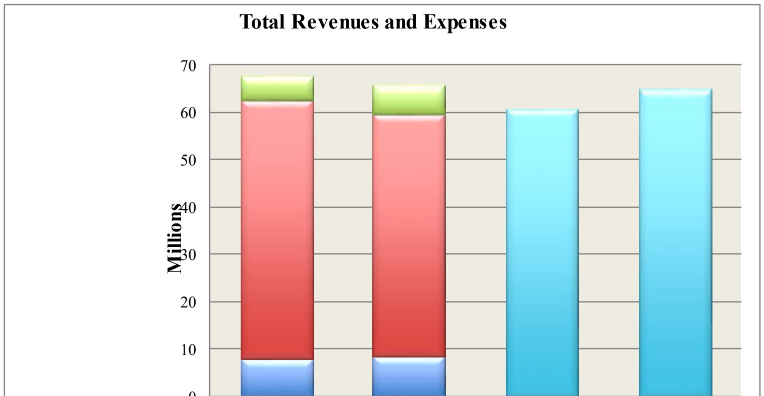
The College's net position, which consists of net investment in capital assets, restricted net position, and unrestricted net position, increased slightly by 7.95% from $88,694,803 at June 30, 2020, to $95,746,687 at June 30, 2021. The significant deficit in unrestricted net position of ($55,397,320) is due to the recognition of deferred outflows of resources and deferred inflows of resources for the College's proportional share of expenses and liabilities associated with the net pension liability and net other postemployment benefits ("OPEB") liability. The following chart shows the comparison by category for the fiscal years ended June 30, 2021 and June 30, 2020.



	2021	2020
Unrestricted Assets	(55,397,320)	(61,021,585)
Restricted Assets	961,845	469,031
Net Investment in Capital Assets	150,182,162	149,247,357
Net Position	95,746,687	88,694,803

The College's total revenues increased by $1,935,614 to $67,699,982 at June 30, 2021 from $65,764,368 at June 30, 2020. This increase is primarily due to grant funds received directly by the College from the US Department of Education, Higher Education Emergency Relief Funds ("HEERF"). The Higher Education Emergency Relief Fund II ("HEERF II") was authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 ("CRRSAA"), Public Law 116-260, signed into law on Dec. 27, 2020. In total, the CRRSAA authorized $81.88 billion in support for education, in addition to the $30.75 billion expeditiously provided last spring through the Coronavirus Aid, Recovery, and Economic Security ("CARES") Act, Public Law 116-136.

Expenses totaling $60,648,098 represent a 6.58% decrease compared to the previous fiscal year. This change is attributed to the overall decrease in Pension Expense associated with Deferred Outflows and Deferred Inflows of Resources Related to Pensions.



	Total Revenues		Total Operating Expenses	
	2021	2020	2021	2020
Total Expenses			60,648,098	64,923,222
Capital Revenues	4,929,418	6,172,957		
Nonoperating Revenues	54,735,985	50,917,046		
Operating Revenues	8,034,579	8,674,365		
Total Revenues	67,699,982	65,764,368		

USING THE FINANCIAL STATEMENTS

The College's financial statements have been prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements 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 – Management's Discussion and Analysis – for Public College and Universities,* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* Accordingly, the College's financial statements are comprised of the following four components:

> Statement of Net Position: This statement includes all assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position. The College's net position is an indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the age and condition of its buildings. (Exhibit A-1)
>
> Statement of Revenues, Expenses, and Changes in Net Position: This statement presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. This approach is intended to summarize and simplify the presentation of the College's services to the students and public. (Exhibit A-2)
>
> Statement of Cash Flows: This statement presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing and investing activities, and helps measure the ability of the College to meet financial obligations as they mature. (Exhibit A-3)
>
> Notes to the Financial Statements: The notes provide additional information that is essential for a complete understanding of the data provided in the statements.

The statements are prepared under the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The full scope of the College is considered to be a business-type activity and is reported in a single column on the statements.

OVERVIEW OF FINANCIAL STATEMENTS

Statement of Net Position

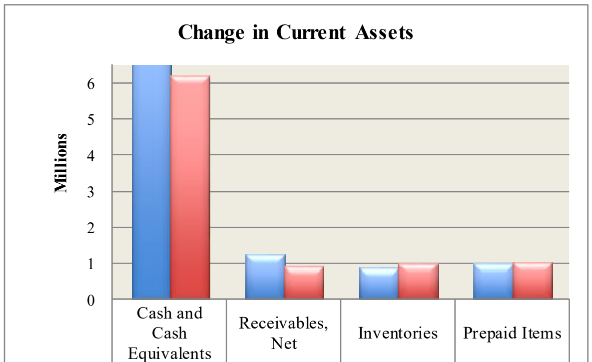
Below is a condensed comparative analysis between the Statement of Net Position (Exhibit A-1) contained herein and for the fiscal years ended June 30, 2021 and 2020, followed by a discussion on the changes in assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position.

Condensed Statements of Net Position
For the Year Ended June 30, 2021
With Comparative Data for the Year Ended June 30, 2020

			Change	
	2021	2020	Amount	Percent
Assets				
Current	$ 13,221,656	$ 9,163,922	$ 4,057,734	44.28%
Capital Assets, Net	150,261,049	149,357,865	903,184	0.60%
Other Noncurrent Assets	169,109	383,935	(214,826)	(55.95%)
Total Assets	163,651,814	158,905,722	4,746,092	2.99%
Deferred Outflows of Resources	12,196,481	12,784,579	(588,098)	(4.60%)
Liabilities				
Current	2,467,228	2,626,005	(158,777)	(6.05%)
Noncurrent	56,804,802	62,139,732	(5,334,930)	(8.59%)
Total Liabilities	59,272,030	64,765,737	(5,493,707)	(8.48%)
Deferred Inflows of Resources	20,829,578	18,229,761	2,599,817	14.26%
Net Position				
Net Invested in Capital Assets	150,182,162	149,247,357	934,805	0.63%
Restricted	961,845	469,031	492,814	105.07%
Unrestricted	(55,397,320)	(61,021,585)	5,624,265	(9.22%)
TOTAL NET POSITION	**$ 95,746,687**	**$ 88,694,803**	**$ 7,051,884**	**7.95%**

Assets and Deferred Outflows of Resources

Current assets increased by $4,057,734 or 44.28% due to the combination of the following changes:



	Cash and Cash Equivalents	Receivables, Net	Inventories	Prepaid Items
2021	10,066,670	1,253,905	893,515	1,007,566
2020	6,199,118	921,833	992,143	1,050,828
Change	3,867,552	332,072	(98,628)	(43,262)

- Cash and cash equivalents increased by $3,867,552 from the previous year. The major increase is associated with cash held for General College Administration associated with lost revenue claimed from HEERF funds and Auxiliary Enterprises related to the Bookstore.
- Net receivables increased by $332,072 principally due to student accounts receivable and HEERF receivables associated with Pandemic Leave.
- Inventory decreased by $98,628 year over year primarily associated with the Bookstore inventory and management's initiative to reduce excess supplies on hand.
- Prepaid items decreased by $43,262 compared to the previous year. This reduction is associated with the state budget restrictions and the inability to pay for memberships, maintenance agreements, and software license renewals in which the covered period is in FY 2022.

Net capital assets slightly increased by 0.60% or $903,184 year over year. During the fiscal year, the College completed the Connect NC Bond projects associated the Ivy Building renovation, repurposing of the Poplar Building, and upgrades to the Elm and Madison restrooms. Ongoing College projects include replacing the Coman Gym Flooring, upgrades to the Coman Café, and the Hemlock Retrofit. Aged and fully depreciated equipment were disposed. The composition of capital assets and changes thereof are detailed in Note 5.

Other noncurrent assets reflect a decrease of $214,826. This change is attributable the reduction of restricted cash held for student organizations, and agency scholarships.

Deferred outflows of resources are related to the reporting of net pension liability and net OPEB liability, which represent the College's contribution subsequent to the measurement date that will be recognized as a reduction of the net pension and OPEB liabilities in the fiscal year ended June 30, 2021. As a result, the College recorded $7,093,763 in deferred outflows of resources related to pensions and $5,102,718 in deferred outflows of resources related to OPEB based on the calculation by the Office of State Controller. Please see the Schedule of Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions in Note 12 and the Schedule of Employer Balances of Deferred Outflows of Resources Related to OPEB in Note 13 for details.

Liabilities and Deferred Inflows of Resources

Current liabilities decreased $158,777 from the previous year primarily related to the decrease in accounts payable, accrued payroll and the reduction in contracts and retainage payable associated with the Connect NC Bond Projects.

Noncurrent liabilities decreased $5,334,930 year over year largely attributed to changes in the net pension and OPEB liabilities and the long-term portion of compensated absences. Refer to Note 7 for a summary of changes in the long-term liabilities for the fiscal year ended June 30, 2021.

Deferred inflows of resources related to pension and OPEB increased $2,599,817. The college recognized deferred inflows of resources related to the OPEB totaling $20,232,592 that will be amortized over the next five fiscal years. Please refer to Note 13 for details.

Net Position

Net position is the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Overall net position increased significantly by $7,051,884.

- Net investment in capital assets represents the College's total capital assets less accumulative depreciation and related debt. Net investment in capital assets increased overall by $934,805 due to construction in progress associated with the Connect NC Bonds and Quarter Cent Sales Tax projects, current year equipment additions, and changes in the capital lease obligation for printers.
- Restricted net position increased by $492,814 attributing primarily to the completion of the Mission Health/A-B Tech Conference Center pledge and recovery funds for Pandemic Leave associated with HEERF funds.
- Unrestricted net position has increased 9.22% by $ 5,624,265 due to changes in the net pension and OPEB liabilities and the receipt of HEERF funds relating to lost revenue recovery.

Statement of Revenues, Expenses, and Change in Net Position

Below is a condensed comparative analysis of the June 30, 2021 Statement of Revenues, Expenses, and Changes in Net Position (Exhibit A-2) contained herein and the year ended June 30, 2021, followed by discussion on changes in revenues and expenses.

Statements of Revenues and Expenses and Changes in Net Positon
For the Year Ended June 30, 2021 with Comparative Data for the Year Ended June 30, 2020

			Change	
	2021	**2020**	**Amount**	**Percent**
Operating Revenues				
Student Tuition & Fees	$ 6,374,293	$ 6,898,002	$ (523,709)	(7.59%)
Sales and Services	1,657,283	1,760,040	(102,757)	(5.84%)
Other Revenues	3,003	16,323	(13,320)	100.00%
Total Operating Revenues	8,034,579	8,674,365	(639,786)	(7.38%)
Operating Expenses				
Salaries and Benefits	38,054,521	40,817,777	(2,763,256)	(6.77%)
Supplies & Materials	4,817,237	5,454,712	(637,475)	(11.69%)
Services	5,749,007	6,410,227	(661,220)	(10.32%)
Scholarships	6,876,419	6,958,712	(82,293)	(1.18%)
Utilities	1,216,030	1,384,727	(168,697)	(12.18%)
Depreciation Amortization	3,934,884	3,897,067	37,817	0.97%
Total Operating Expenses	60,648,098	64,923,222	(4,275,124)	(6.58%)
Nonoperating Revenues/(Expenses)				
Government Appropriations	37,290,033	37,489,209	(199,176)	(0.53%)
Grants and Gifts	17,216,805	13,436,838	3,779,967	28.13%
Investment Income	30,398	119,512	(89,114)	(74.56%)
Other Nonoperating Revenues/(Expenses)	198,749	(128,513)	327,262	(254.65%)
Total Nonoperating Revenues, Net	54,735,985	50,917,046	3,818,939	7.50%
Capital Contributions				
Government Appropriations	1,443,612	1,295,702	147,910	11.42%
Grants and Gifts	3,485,806	4,877,255	(1,391,449)	(28.53%)
Total Capital Contributions	4,929,418	6,172,957	(1,243,539)	(20.14%)
INCREASE IN NET POSITION	**$ 7,051,884**	**$ 841,146**	**$ 6,210,738**	**738.37%**

Operating Revenues

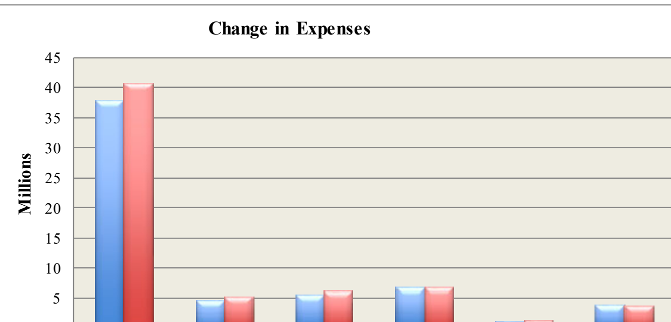
Operating revenues are derived from activities that are necessary and essential to the mission of the College.

The College's overall operating revenues decreased by $639,786 year over year, due to the impact of the COVID-19 pandemic and the discontinuation of in-person instruction. As a result, tuition receipts were down for the fall, spring and summer semesters.

Operating Expenses

Operating expenses are necessary and essential to the mission of the College; these include all expenses with the exception of expenses related to investing, capital and related financing, and noncapital activities. Depreciation is recognized as an operating expense in accordance with Generally Accepted Accounting Principles.

Operating expenses for FY21 decreased by $4,275,124 overall to $60,648,098. The decrease can be attributed to the reduction of expenditures associated with Salaries and Benefits, Supplies and Materials, and Services. In March 2020, Governor Roy Cooper declared a State of Emergency regarding the impact of the Coronavirus. In response, the College immediately began teleworking, designated critical positions, and closed campus but remained operationally on-line. In April, North Carolina Community College System ("NCCCS") allowed face-to-face instruction, and select courses were allowed to resume classes.



	Salaries and Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation
2021	38,054,521	4,817,237	5,749,007	6,876,419	1,216,030	3,934,884
2020	40,817,777	5,454,712	6,410,227	6,958,712	1,384,727	3,897,067
Change in Amount	(2,763,256)	(637,475)	(661,220)	(82,293)	(168,697)	37,817
Change in Percentage	-6.77%	-11.69%	-10.32%	-1.18%	-12.18%	0.97%

Nonoperating Revenues

Nonoperating revenues include activities that have non-exchange characteristics; that is, the College received revenue without providing a good or service.

Total net nonoperating revenue increased by $3,818,935. Impacts on nonoperating revenue can be attributed to Foundation Support initiatives associated with the SNAP Employment and Training Program, ARC Upskill WNC Innovation initiatives, the NC State University Clean Fuel Advanced Technology ("CFAT") grant for EV Charging Stations and other grant-funded initiatives associated with the Workforce Innovation and Opportunity Act, and the CARES Act.

Capital Contributions

Capital contributions consist of state, and county appropriations as well as grants and gifts for equipment, construction, building improvements, and infrastructure.

Capital revenue decreased overall by $1,243,539. While County and State appropriations for capital contributions increased by $147,910 year over year, the College recorded capital gifts and grants of $3,485,806 which was a 28.53% reduction from the prior year. Article 46 Sales Tax Projects recognized as capital gifts from Buncombe County were related to the completion of a facilities assessment and master planning at the Technology Commercialization Center ("TCC") at Enka campus, LED lighting retrofits at Victoria campus, the paving of the Locke parking lot, the sealing of the exteriors of Dogwood and Ferguson, the new roof on Locke, and the replacement of the storefront on Ferguson.

Supplemental Public Finance Narrative

The College is accredited by the Southern Association of Colleges and Schools Commission on Colleges ("SACSCOCC"), the regional body for the accreditation of degree-granting higher education institutions in the Southern states. On behalf of the SACSCOC, peer evaluators periodically review the College's financial statement to assess its financial viability. The evaluators find it helpful if the College reports its Unrestricted Net Position in a way that adjusts for the impact of factors beyond its immediate control on an accrual basis.

Specifically in 2021, the College's total Net Position, an indication of overall worth, rose from $88.7 million FY 2020 to $95.7 million FY 2021. The Unrestricted Net Position increased from ($61.0) million to ($55.4) million. SACSCOCC finance evaluators are currently adjusting Unrestricted Net Position for the following items, generally being treated as "pay-as-you-go" rather than on a full accrual basis. These obligations may result in a deficit Unrestricted Net Position and make determination of operational resources difficult. When adjusted for Compensated Absences, OPEB and Pension obligations, the

College's Unrestricted Net Assets exclusive of Plant and Plant-related debt appears positive at approximately $156.8 million FY 2020 and $161.7 million FY 2021. Likewise, when adjusted accordingly, Unrestricted Net Position also appears positive at $7.1 million FY 2020 and $10.5 million FY 2021.

The adjusted Current Ratio of the institution increased from 3.86 FY 2020 to 6.68 FY 2021. The institution appears to possess an adequate, stable resource base to support its mission and programs.

Operational Outcomes (operating and non-operating) less non-recurring, non-cash expenses increased in FY 2021 (with the exception of depreciation), from producing a surplus of $1.7 million FY 2020 to a surplus of $8.1 million FY 2021.

Cash flows related to operations (operational and non-capital) improved from ($0.6) million in FY 2020 to $4.3 million in FY 2021.

Tuition revenues, net declined slightly from $6.7 million and $6.4 million for FY 2020 and FY 2021, respectively.

Enrollment experienced a slight decline from 6,764 Budget FTE fall 2020 to 6,595 Budget FTE fall 2021.

The institution appears to be operating within available revenues and cash flows, likely with proper fiscal controls.

Public Finance Schedule
For the Year Ended June 30, 2021 with Comparative Data for the Years
Ended June 30, 2019 and June 30, 2020

	2019	2020	2021
Net Investment in Capital Assets	$ 147,613,476	$ 149,247,357	$ 150,182,162
Restricted, Expendable	604,932	466,781	959,595
Restricted, Not expendable	2,250	2,250	2,250
Unrestricted	(60,367,001)	(61,021,585)	(55,397,320)
TOTAL NET POSITION, from Statement of Net Position	**$ 87,853,657**	**$ 88,694,803**	**$ 95,746,687**
Add back Compensated Absences-current	$ 537,730	$ 527,882	$ 487,772
Add back Compensated Absences-noncurrent	3,203,454	3,300,122	3,540,074
Add back OPEB liability - noncurrent portion	39,235,560	42,514,664	35,398,534
Less Deferred Outflows of Resources - OPEB	(4,655,970)	(5,996,698)	(5,102,718)
Add Deferred Inflows of Resources - OPEB	22,247,623	17,998,655	20,232,592
Add back Liability-Pension GASB 68	16,003,417	16,246,058	17,808,864
Less Deferred Outflows of Resources - Pension	(9,261,014)	(6,680,471)	(7,093,763)
Add Deferred Inflows of Resources - Pension	264,143	224,925	596,986
TOTAL NET POSITION, adjusted for CA, OPEB & Pensions	**$ 155,428,600**	**$ 156,829,940**	**$ 161,615,028**
UNRESTRICTED NET POSITION	$ (60,367,001)	$ (61,021,585)	$ (55,397,320)
Add back Compensated Absences-current	537,730	527,882	487,772
Add back Compensated Absences-noncurrent	3,203,454	3,300,122	3,540,074
Add back OPEB liability - noncurrent portion	39,235,560	42,514,664	35,398,534
Less Deferred Outflows of Resources - OPEB	(4,655,970)	(5,996,698)	(5,102,718)
Add Deferred Inflows of Resources - OPEB	22,247,623	17,998,655	20,232,592
Add back Liability-Pension GASB 68	16,003,417	16,246,058	17,808,864
Less Deferred Outflows of Resources - Pension	(9,261,014)	(6,680,471)	(7,093,763)
Add Deferred Inflows of Resources - Pension	264,143	224,925	596,986
UNRESTRICTED NET POSITION, adj. for CA, OPEB & Pensions	**$ 7,207,942**	**$ 7,113,552**	**$ 10,471,021**
Net effect of compensated absences (current & noncurrent)	$ 3,741,184	$ 3,828,004	$ 4,027,846
Change in net effect of compensated absences		*86,820*	*199,842*
Net effect of OPEB entries	$ 56,827,213	$ 54,516,621	$ 50,528,408
Change in net effect of OPEB entries		*(2,310,592)*	*(3,988,213)*
Net effect of Pension entries	$ 7,006,546	$ 9,790,512	$ 11,312,087
Change in net effect of Pension entries		*2,783,966*	*1,521,575*
CURRENT RATIO			
Current Assets	$ 10,030,193	$ 9,163,922	$ 13,221,656
Current Liabilities	3,123,633	2,626,005	2,467,228
Less Current Compensated Absence liability	537,730	527,882	487,772
CURRENT RATIO, adjusted	**3.88**	**4.37**	**6.68**

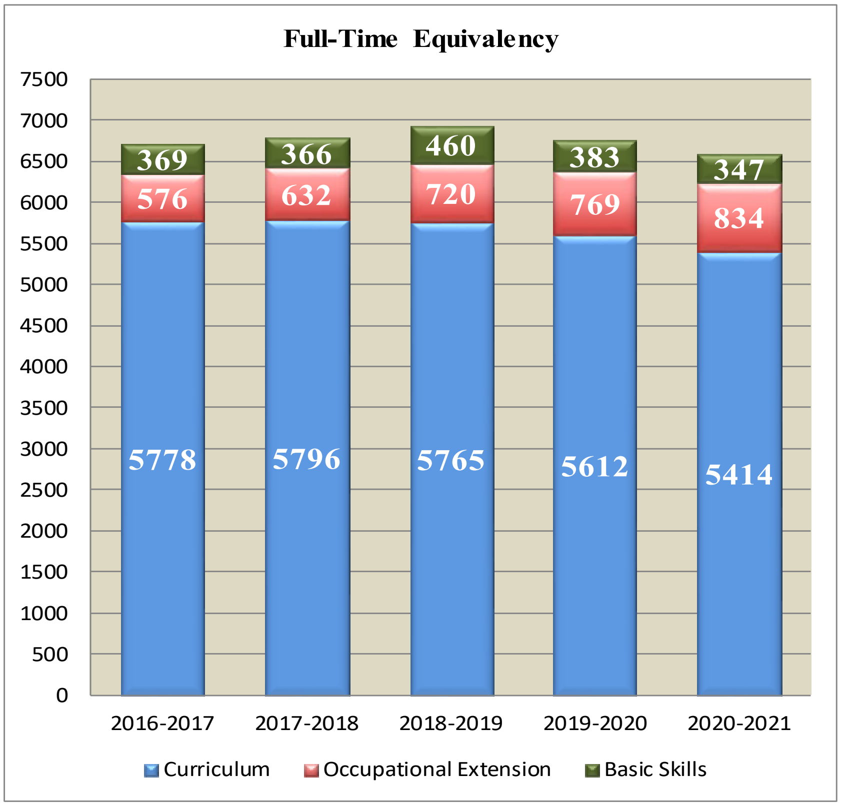
(Current Assets/(Current Liablities less current CA & current OPEB)

		2019		2020		2021
OPERATIONAL OUTCOMES						
Total Operating Revenues	$	10,116,742	$	8,674,365	$	8,034,579
Add Total Non-operating Revenues		49,291,989		50,917,046		54,735,985
Less Operating Expenses		(62,742,882)		(64,923,222)		(60,648,098)
INCOME BEFORE OTHER REVENUES/EXP, GAINS/LOSS	**$**	**(3,334,151)**	**$**	**(5,331,811)**	**$**	**2,122,466**
Did change in Compensated Absences affect expense? Add back?	$	3,741,185	$	2,781,511	$	3,828,004
Did change in OPEB affect expense? Add back?		(2,149,658)		(2,428,218)		(3,284,389)
Did change in Pensions affect expense? Add Back?		818,885		469,756		1,521,575
Depreciation Expense?		3,697,766		3,897,067		3,934,884
Operational Outcomes less non-recurring, non-cash expenses	**$**	**2,774,027**	**$**	**(611,695)**	**$**	**8,122,540**
Cash flows from operations	$	(49,936,234)	$	(51,603,867)	$	(49,528,990)
Noncapital cash flows		49,365,603		51,042,700		53,405,394
Cash flows related to operations	**$**	**(570,631)**	**$**	**(561,167)**	**$**	**3,876,404**
Cash and Equivalents	$	6,199,844	$	6,524,067	$	10,173,012
Accounts Payable	$	1,895,347	$	1,334,728	$	1,358,233
State Capital Appropriations	$	3,722,605	$	2,894,531	$	1,443,612
Capital Grants		(382,893)		1,158,735		219,472
Other Capital Grants		-		-		-
Acquisition and Construction of Capital Assets		(2,770,337)		(3,242,551)		(1,884,109)
Construction in Progress	$	10,546,446	$	14,010,797	$	11,007,765
Tuition, gross	$	11,197,456	$	10,227,420	$	9,742,562
Less Scholarship Discounts		(3,387,026)		(3,501,751)		(3,340,364)
Tuition, net	**$**	**7,810,430**	**$**	**6,725,669**	**$**	**6,402,198**
Budget FTE		6,945		6,764		6,595

THE COLLEGE'S FINANCIAL OUTLOOK

The ability of the College to fulfill its mission and execute its strategic plan is directly influenced by state, federal, and county support. Enrollment levels and financial aid available to students are also key variables. These issues impact budget planning processes each year.

State support is the College's primary funding source. To ensure the fiscal stability of community colleges, State support is based on the higher of total budgetary full-time equivalency ("FTE") enrollment of the year preceding the budget year or the average of the two preceding years' FTE. The chart below illustrates the College's budget FTE for the past five years.



As the graph above shows, the decline in budget FTE has slowed since the conclusion of the economic hardships of FY 2008-09. This has enabled the College to stabilize its operations and focus on investing in new programs. To maintain its fiscal stability without capping enrollment, the College is continuing to expand its offering of night, weekend and "mini semester" classes, and restructure facilities usage. The College reviews existing programs for continuing viability and reviews new program proposals on a regular basis.

Appropriations from Buncombe and Madison Counties are primarily for plant operations, maintenance, and capital asset repairs and renovations. For the budget year 2020-21, Buncombe County's and Madison County's appropriation remained the same level as previous years.

The College is also seeking alternative revenue sources and other options that allow the College to generate non-state, non-county revenues. Examples of options implemented include expanding the rental of facilities to third parties and the utilization of student fees that assist in covering the expenses related to the provision of student activities, instructional technology, and college access, parking, and security services.

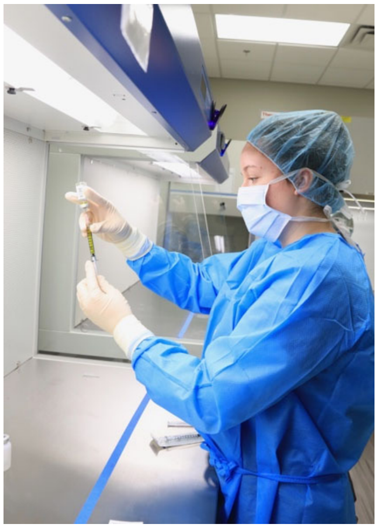
The Management of Asheville-Buncombe Technical Community College is confident in its financial stability and ability to engage citizens of Buncombe and Madison counties and beyond in higher education. The College is dedicated in its efforts toward program assessment; cost containment; continuous improvement; expansion of curriculum, occupational training, and continuing education; and increased distance learning opportunities. These efforts are geared toward assessing the College's performance related to goals and freeing up resources to support change. The College's ongoing strategic planning initiative and efforts to identify resource reallocation opportunities have expanded to new activities that enhance revenues and control expenses over the short and long term. As a result, Asheville-Buncombe Technical Community College remains financially sound.

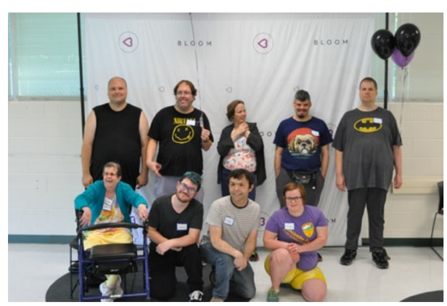
Request for Information

This report is designed to provide a summary overview of the College's finances. Questions or requests for additional information should be addressed to:

Asheville-Buncombe Technical Community College
340 Victoria Road
Asheville, North Carolina 28801
(828) 398-7111

A-B Tech Community College





VISION

- Changing Lives
- Strengthening Communities

FINANCIAL STATEMENTS

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Asheville-Buncombe Technical Community College
Statement of Net Position
June 30, 2021

Exhibit A-1

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 9,775,984
Restricted Cash and Cash Equivalents	290,686
Receivables, Net (Note 4)	1,253,905
Inventories	893,515
Prepaid Items	1,007,566
Total Current Assets	13,221,656
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	106,342
Net Other Postemployment Benefits Asset	62,767
Capital Assets - Nondepreciable (Note 5)	16,965,978
Capital Assets - Depreciable, Net (Note 5)	133,295,071
Total Noncurrent Assets	150,430,158
Total Assets	163,651,814
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions (Note 12)	7,093,763
Deferred Outflows Related to Other Postemployment Benefits (Note 13)	5,102,718
Total Deferred Outflows of Resources	12,196,481
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	1,358,233
Unearned Revenue	560,376
Funds Held for Others	39,290
Long-Term Liabilities - Current Portion (Note 7)	509,329
Total Current Liabilities	2,467,228
Noncurrent Liabilities:	
Long-Term Liabilities (Note 7)	56,804,802
Total Noncurrent Liabilities	56,804,802
Total Liabilities	59,272,030
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions (Note 12)	596,986
Deferred Inflows Related to Other Postemployment Benefits (Note 13)	20,232,592
Total Deferred Inflows of Resources	20,829,578

NET POSITION		
Net Investment in Capital Assets	$	150,182,162
Nonexpendable:		
Student Financial Aid		2,250
Expendable:		
Student Financial Aid		3,052
Capital Projects		1,873
Other		954,670
Unrestricted		(55,397,320)
Total Net Position	$	95,746,687

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

Asheville-Buncombe Technical Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2021

Exhibit A-2

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 10)	$ 6,374,293
Sales and Services, Net (Note 10)	1,657,283
Other Operating Revenues	3,003
Total Operating Revenues	8,034,579
OPERATING EXPENSES	
Salaries and Benefits	38,054,521
Supplies and Services	10,566,244
Scholarships and Fellowships	6,876,419
Utilities	1,216,030
Depreciation/Amortization	3,934,884
Total Operating Expenses	60,648,098
Operating Loss	(52,613,519)
NONOPERATING REVENUES (EXPENSES)	
State Aid	29,362,027
State Aid - Coronavirus	737,902
County Appropriations	7,190,104
Student Financial Aid	7,361,563
Federal Aid - COVID-19	5,861,615
Noncapital Contributions, Net (Note 10)	3,993,627
Investment Income (Net of Investment Expense of $0)	30,398
Interest and Fees on Debt	(5,207)
Other Nonoperating Revenues	203,956
Net Nonoperating Revenues	54,735,985
Income Before Other Revenues	2,122,466
State Capital Aid	1,443,612
Capital Contributions, Net (Note 10)	3,485,806
Total Other Revenues	4,929,418
Increase in Net Position	7,051,884
NET POSITION	
Net Position - July 1, 2020	88,694,803
Net Position - June 30, 2021	$ 95,746,687

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

Asheville-Buncombe Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 8,170,305
Payments to Employees and Fringe Benefits	(39,534,275)
Payments to Vendors and Suppliers	(11,540,372)
Payments for Scholarships and Fellowships	(6,876,419)
Other Receipts	251,767
Net Cash Used by Operating Activities	(49,528,994)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid	29,362,027
State Aid - Coronavirus	737,902
County Appropriations	7,190,104
Student Financial Aid	7,361,563
Federal Aid - COVID-19	5,861,615
Noncapital Contributions	2,892,183
Net Cash Provided by Noncapital Financing Activities	53,405,394
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
State Capital Aid	1,443,612
Capital Contributions	219,472
Acquisition and Construction of Capital Assets	(1,884,109)
Principal Paid on Capital Debt and Leases	(31,621)
Interest and Fees Paid on Capital Debt and Leases	(5,207)
Net Cash Used by Capital Financing and Related Financing Activities	(257,853)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	30,398
Net Cash Provided by Investing Activities	30,398
Net Increase in Cash and Cash Equivalents	3,648,945
Cash and Cash Equivalents - July 1, 2020	6,524,067
Cash and Cash Equivalents - June 30, 2021	$ 10,173,012

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(52,613,519)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense		3,934,884
Other Nonoperating Expense		893,818
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		232,160
Inventories		98,624
Prepaid Items		43,262
Net Other Postemployment Benefits Asset		(3,781)
Deferred Outflows Related to Pensions		(413,292)
Deferred Outflows Related for Other Postemployment Benefits		1,001,390
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		183,230
Unearned Revenue		(96,434)
Funds Held for Others		(35,671)
Net Pension Liability		1,562,806
Net Other Postemployment Benefits Liability		(7,116,130)
Compensated Absences		199,842
Deferred Inflows Related to Pensions		372,061
Deferred Inflows Related to Other Postemployment Benefits		2,227,756
Net Cash Used by Operating Activities	$	(49,528,994)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$	27,367
Assets Acquired through a Gift		3,266,334
Loss on Disposal of Capital Assets		(83,486)
Increase in Receivables Related to Nonoperating Income		764,559

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

Asheville-Buncombe Technical Community College Foundation, Inc.
Statement of Financial Position
June 30, 2021 *Exhibit B-1*

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	691,426
Restricted Cash and Cash Equivalents		1,712,241
Contributions Receivable		166,723
Noncurrent Assets:		
Foundation Endowment Investments - Restricted		9,637,551
Long-Term Contributions Receivable (Net)		2,206,053
Charitable Remainder Trusts Receivable (Net)		1,776,580
Total Assets	$	16,190,574
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	83,464
Total Liabilities		83,464
NET ASSETS		
Without Donor Restrictions		885,101
With Donor Restrictions		15,222,009
Total Net Assets		16,107,110
Total Liabilities and Net Assets	$	16,190,574

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

Asheville-Buncombe Technical Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2021 — *Exhibit B-2*

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support and Revenue:			
Contributions	$ 192,811	$ 935,090	$ 1,127,901
Grant Revenue	-	500,433	500,433
Investment Return, Net	363,477	1,609,017	1,972,494
Change in Value Charitable Reminder Trust	-	33,327	33,327
Special Events Revenue	59,370	-	59,370
In-Kind Contributions	329,052	-	329,052
Net Assets Released from Restrictions	774,179	(774,179)	-
Total Support and Revenue	1,718,889	2,303,688	4,022,577
EXPENSES AND LOSSES			
Expenses:			
Program	1,222,664	-	1,222,664
Management and General	210,484	-	210,484
Fundraising	106,138	-	106,138
Total Expenses	1,539,286	-	1,539,286
Change in Net Assets	179,603	2,303,688	2,483,291
NET ASSETS			
Net Assets at Beginning of Year	705,498	12,918,321	13,623,819
Net Assets at End of Year	$ 885,101	$ 15,222,009	$ 16,107,110

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

AB Tech
Community College

NOTES TO FINANCIAL STATEMENTS

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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 ("U.S. 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. Asheville-Buncombe Technical Community College (the "College") is a component unit of the State of North Carolina State and an integral part of the State's *Comprehensive Annual 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 unit is discretely presented in the College's financial statements. The discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness.

Discretely Presented Component Unit - Asheville-Buncombe Technical Community College Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 28 selected members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2021, the Foundation distributed $622,449 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Business Services Offices at (828) 398-7111.

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 GASB. Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* and GASB Statement No. 84, Fiduciary Activities, the full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

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

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

D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund ("STIF"). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The College's equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 2.

E. **Foundation Endowment -** Investments generally are reported at fair value, as determined by quoted market prices or estimate amounts determined by management if quoted market prices are not available. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.

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

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued using the average 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. Interest costs incurred are capitalized during the period of construction.

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 except for internally generated software which is capitalized when the value or cost is $1,000,000 or greater and other intangible assets which are capitalized when the value or cost is $100,000 or greater.

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

Asset Class	Estimated Useful Life
Buildings and Improvements	10-100 years
Machinery & Equipment	2-30 years
General Infrastructure	10-75 years
Computer Software	2-30 years

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.

K. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes notes from direct borrowings and capital leases payable. Other long-term liabilities include: compensated absences, annuities payable, pollution remediation payable, asset retirement obligations, net pension liability, and net other postemployment benefits ("OPEB") liability.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2020 *Comprehensive Annual Financial Report.* This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 12 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the College's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2020 *Comprehensive Annual 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. 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 OPEB.

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

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

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

M. Deferred Outflows/Inflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period 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 9 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

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

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

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

Q. **Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as Bookstore, Printing and Motor Pool. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. **College -** The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank, savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling $5,975, and deposits in private financial institutions with a carrying value of $2,388,885 and a bank balance of $2,478,844.

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, 2021, the College's bank balance in excess of federal depository insurance coverage was covered under pooling method.

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, 2021 the amount shown on the Statement of Net Position as cash and cash equivalents includes $7,778,152 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund ("STIF"). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2021. 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.

B. Component Unit - Investments of the College's discretely presented component unit, the Foundation, are subject to and restricted by G.S. 36E Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and any requirements placed on them by contract or donor agreements. The Foundation has established an account with the Community Foundation of Western North Carolina, Inc. ("CFWNC"), for its endowment funds. It allows the distribution of an annual spendable amount from investment income as provided for in the CFWNC's investment and distribution policies. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. Following is a summary of CFWNC activity:

	Amount
Asset value as of June 30, 2020:	$ 7,898,283
Current year activity:	
Cash transfers and withdrawals, net	(223,784)
Investment income and interest	96,875
Investment gain, net	1,911,931
Community Foundation fees	(45,754)
Asset value as of June 30, 2021:	$ 9,637,551

The Foundation places its cash and cash equivalents on deposit with the State Treasurer and TD Bank.

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the College's investments are recorded at fair value as of June 30, 2021. 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 (or liabilities) 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 (or liability), either directly or indirectly.
Level 3	Investments classified as Level 3 have unobservable inputs and may require a degree of professional judgment.

Short-Term Investment Fund - At year-end, all of the College's investments valued at $7,778,152 were held in the STIF. 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 72. The College's position in the pool is measured and reported at fair value and the STIF is not required to be categorized withing the fair value hierarchy. As discussed in Note 2, this amount is classified as cash and cash equivalents in the Statement of Net Position.

Component Unit - The following table summarizes the valuation of the College's discretely presented component unit's financial assets and liabilities measured at fair value as of June 30, 2021, based on the level of input utilized to measure fair value.

	Assets Measured at Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable (Level 2)	Unobservable (Level 3)
Beneficial interest in remainder trusts	$ 1,776,580	$ -	$ -	$ 1,776,580
Investments with Community Foundation of WNC [(a)]	9,637,551			
	$ 11,414,131			

[(a)] In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Fair value for the beneficial interests in remainder trusts (Level 3) is determined by estimating the present values of the future distributions expected to be received. Inputs include June 30, 2021 values of the investments in the trusts, data from published life expectancy tables and a 3% discount rate. There have been no changes in the valuation techniques and related inputs.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Interest in Remainder Trusts
July 1, 2020	$ 1,743,253
Present value adjustment	33,327
July 1, 2021	$ 1,776,580

NOTE 4 - RECEIVABLES

The College's receivables at June 30, 2021, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 347,469	$ 203,658	$ 143,811
Student Sponsors	77,173	26,599	50,574
Intergovernmental	922,963	-	922,963
Vendors	76,052	-	76,052
Patrons	6,649	-	6,649
Other	53,856	-	53,856
Total Current Receivables	$ 1,484,162	$ 230,257	$ 1,253,905

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2021, is presented as follows:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets, Nondepreciable:				
Land	$ 5,958,213	$ -	$ -	$ 5,958,213
Construction in Progress - Infrastructure	14,001,771	3,968,929	6,962,935	11,007,765
Total Capital Assets, Nondepreciable	19,959,984	3,968,929	6,962,935	16,965,978
Capital Assets, Depreciable:				
Buildings	155,004,289	4,436,924	-	159,441,213
General Infrastructure	11,007,490	2,526,010	-	13,533,500
Machinery and Equipment	18,038,949	952,626	264,366	18,727,209
Total Capital Assets, Depreciable	184,050,728	7,915,560	264,366	191,701,922
Less Accumulated Depreciation/Amortization for:				
Buildings	41,521,085	2,472,036	-	43,993,121
General Infrastructure	3,159,677	252,512	-	3,412,189
Machinery and Equipment	9,972,085	1,210,336	180,880	11,001,541
Total Accumulated Depreciation	54,652,847	3,934,884	180,880	58,406,851
Total Capital Assets, Depreciable, Net	129,397,881	3,980,676	83,486	133,295,071
Capital Assets, Net	$ 149,357,865	$ 7,949,605	$ 7,046,421	$ 150,261,049

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2021, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 618,888
Accrued Payroll	634,944
Contracts Payable	27,367
Intergovernmental Payables	77,034
Total	$ 1,358,233

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2021, is presented as follows:

	Balance June 30, 2020	Prior Year Adjustments	Additions	Reductions	Balance June 30, 2021	Current Portion
Capital Leases Payable	$ 110,508	$ -	$ -	$ 31,621	$ 78,887	$ 21,557
Compensated Absences	3,828,004	-	2,320,184	2,120,342	4,027,846	487,772
Net Pension Liability	16,246,058	-	1,562,806	-	17,808,864	-
Net OPEB Liability	42,514,664	-	-	7,116,130	35,398,534	-
Total Long-Term Liabilities	$ 62,699,234	$ -	$ 3,882,990	$ 9,268,093	$ 57,314,131	$ 509,329

Additional information regarding the net pension liability is included in Note 12.
Additional information regarding the net other postemployment benefit liability is included in Note 13.

NOTE 8 - LEASE OBLIGATIONS

A. **Capital Lease Obligations** - Capital lease obligations relating to copiers are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2021:

Fiscal Years	Amount
2022	$ 25,413
2023	25,413
2024	25,413
2025	10,589
Total Minimum Lease Payments	86,828
Amount Representing Interest (5.58% Rate of Interest)	7,941
Present Value of Future Lease Payments	$ 78,887

Machinery and equipment acquired under capital lease amounted to $111,172 at June 30, 2021. Depreciation for the capital assets associated with capital leases is included in depreciation expense, and accumulated depreciation for assets acquired under capital lease totaled $35,204 at June 30, 2021.

B. Operating Lease Obligations - The College entered into operating leases for vehicles. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2021:

Fiscal Years	Amount
2022	$ 166,923
2023	116,477
2024	71,364
2025	25,578
2026	6,941
Total Minimum Lease Payments	$ 387,283

Rental expense for all operating leases during the year was $180,767.

NOTE 9 - NET POSITION

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (11,312,087)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(50,597,504)
Effect on Unrestricted Net Position	(61,909,591)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	6,512,271
Total Unrestricted Net Position	$ (55,397,320)

See Notes 12 and 13 for detailed information regarding the amortization of the deferred outflows of resources and deferred inflows of resources relating to pensions and OPEB, respectively.

NOTE 10 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 9,742,562	$ -	$ 3,340,364	$ 27,905	$ 6,374,293
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	1,571,915	14,100	586,105	(22,820)	994,530
Rent	149,043				149,043
Vending	13,624	-	-	-	13,624
Other	398,110	-	-	-	398,110
Sales and Services of Education and Related Activities	101,976	-	-	-	101,976
Total Sales and Services, Net	$ 2,234,668	$ 14,100	$ 586,105	$ (22,820)	$ 1,657,283
Nonoperating Revenues:					
Noncapital Contributions, Net	$ 3,993,627	$ -	$ -	$ -	$ 3,993,627
Other Revenues:					
Capital Contributions, Net	$ 3,485,806	$ -	$ -	$ -	$ 3,485,806

NOTE 11 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	$ 18,617,596	$ 2,928,090	$ 7,164	$ -	$ -	$ 21,552,850
Academic Support	4,750,434	496,237	-	-	-	5,246,671
Student Services	3,141,655	283,292	-	-	-	3,424,947
Institutional Support	5,970,898	2,724,733	52,034	-	-	8,747,665
Operations & Maintenance of Plant	2,204,926	2,503,896	-	1,216,030	-	5,924,852
Student Financial Aid	-	-	6,817,221	-	-	6,817,221
Auxiliary Enterprises	31,657	1,629,996	-	-	-	1,661,653
Depreciation	-	-	-	-	3,934,884	3,934,884
Pension/OPEB Expense	3,337,355	-	-	-	-	3,337,355
Total Operating Expenses	$ 38,054,521	$ 10,566,244	$ 6,876,419	$ 1,216,030	$ 3,934,884	$ 60,648,098

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 $2,091,661 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 1.

NOTE 12 - PENSION PLANS

Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System ("TSERS") plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers ("LEOs") of the State, general employees and LEOs of its component units, and employees of Local Education Agencies ("LEAs") and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable 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 creditable 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 or a return of the member's contributions. 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. Employees 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 based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2021 was 14.78% of covered payroll. Employee contributions to the pension plan were $1,420,671, and the College's contributions were $3,499,583 for the year ended June 30, 2021.

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 2020 *Comprehensive Annual 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 were 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 2020 *Comprehensive Annual Financial Report.*

Net Pension Liability: At June 30, 2021, the College reported a net pension liability of $17,808,864 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the College's proportion was 0.14740%, which was a decrease of 0.00931% from its proportion measured as of June 30, 2019, which was 0.15671%.

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	12/31/2019
Inflation	3%
Salary Increases*	3.5% - 8.1%
Investment Rate of Return**	7%

* Salary increases include 3.5% 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. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuations were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

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, 2020 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary 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 3.05%. 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, 2020 is 1.2%.

Discount Rate: The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2019 valuation. This 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, 2020, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

Net Pension Liability (Asset)

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$32,051,773	$17,808,864	$5,862,011

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2021, the College recognized pension expense of $5,018,753. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 981,364	$ -
Changes of assumptions	603,492	-
Net difference between projected and actual earnings on pension plan investments (see note below)	1,969,478	-
Change in proportion and differences between agency's contributions and proportionate share of contributions	39,846	596,986
Contributions subsequent to the measurement date	3,499,583	-
Total	$ 7,093,763	$ 596,986

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions 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

Years ended June 30,	Amount
2022	$ 1,050,192
2023	739,638
2024	620,639
2025	586,725
Total	$ 2,997,194

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

The College participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2020 *Comprehensive Annual 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.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 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 benefits 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 of North Carolina 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 market 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 2020 *Comprehensive Annual 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 as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

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

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 14. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

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, the Legislative Retirement System, the 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 State Health Plan's total noncontributory premium.

Section 35.21 (c) & (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in the Teachers' and State Employees' Retirement System (or in an allowed local system unit), the Consolidated Judicial Retirement System, or the Legislative Retirement System 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.

The Plan's and 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 Bill. The College's contractually-required contribution rate for the year ended June 30, 2021 was 6.68% of covered payroll. The College's contributions to the RHBF were $1,581,679 for the year ended June 30, 2021.

2. Disability Income

Plan Administration: As discussed in Note 14, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina ("DIPNC"), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina system, community colleges, certain participating component units, LEAs which are not part of the 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, for as long as an employee is disabled. 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 the end of the short-term disability period 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. An 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, or (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 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, during the first 36 months of the long-term disability period, the monthly long-term benefit shall be reduced by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee become age 62 during the first 36 months. This reduction becomes effective as of the first day of the month following the month of initial entitlement to Social Security benefits. After the first 36 months of the long-term disability, no further benefits are payable under the terms of this section unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State's fiscal year. The College's contractually-required contribution rate for the year ended June 30, 2021 was 0.09% of covered payroll. The College's contributions to DIPNC were $21,310 for the year ended June 30, 2021.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2021, the College reported a net OPEB liability of $35,398,534 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. The College's proportion of the net OPEB liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the College's proportion was 0.12760%, which was a decrease of 0.00677% from its proportion measured as of June 30, 2019, which was 0.13437%.

Net OPEB Asset: At June 30, 2021, the College reported a net OPEB asset of $62,767 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. The College's proportion of the net OPEB asset was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the College's proportion was 0.12760%, which was a decrease of 0.00911% from its proportion measured as of June 30, 2019, which was 0.13670%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2019, 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, 2020 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N. C.
Valuation Date	12/31/2019	12/31/2019
Inflation	3%	3%
Salary Increases*	3.5% - 8.1%	3.5% - 8.1%
Investment Rate of Return**	7%	3.75%
Healthcare Cost Trend Rate - Medical	6.5% grading down to 5% by 2024	6.5% grading down to 5% by 2024
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2029	9.5% grading down to 5% by 2029
Healthcare Cost Trend Rate - Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate - Administrative	3%	3%

* Salary increases include 3.5% inflation and productivity factor.
** Investment rate of return is net of pension plan investment expense, including inflation.
N/A - Not Applicable

The OPEB plans currently use 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 studies that cover significant portions of the U.S. 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 a 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 projects 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, 2020.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	1.4%
Global Equity	5.3%
Real Estate	4.3%
Alternatives	8.9%
Opportunistic Fixed Income	6.0%
Inflation Sensitive	4.0%

The information in the preceding table is based on 30-year expectations developed with the consulting actuary 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 3.05%. 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, 2020 is 1.2%.

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits funded solely by employer contributions applied equally to all retirees. Currently, as described earlier in the note, 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.

The actuarial assumptions used in the December 31, 2018 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2014, as amended for updates to certain assumptions (such as the long-term investment return, 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 2.21%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will 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 of current plan members. As a result, a municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

The discount rate used to measure the total OPEB liability for DIPNC was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate: The following presents the College's proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) 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 (Asset)

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
RHBF	$ 41,980,422	$ 35,398,534	$ 30,095,727

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	$ (54,208)	$ (62,767)	$ (71,077)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) 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 (Asset)

	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Med. Advantage - 4% Administrative - 2.%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF	28,537,619	35,398,534	44,569,071

	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC	$ (62,870)	$ (62,767)	$ (62,676)

OPEB Expense: For the fiscal year ended June 30, 2021, the College recognized OPEB expense as follows:

OPEB Plan	Amount
RHBF	$ (1,731,064)
DIPNC	49,666
Total OPEB Expense	$ (1,681,398)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2021, 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	$ 32,068	$ 45,469	$ 77,537
Changes of assumptions	1,552,428	4,880	1,557,308
Net difference between projected and actual earnings on OPEB plan investments	74,571	-	74,571
Change in proportion and differences between agency's contributions and proportionate share of contributions	1,777,197	13,116	1,790,313
Contributions subsequent to the measurement date	1,581,679	21,310	1,602,989
	$ 5,017,943	$ 84,775	$ 5,102,718

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 1,384,834	$ -	$ 1,384,834
Changes of Assumptions	14,365,284	4,943	14,370,227
Net Difference Between Projected and Actual Earnings on Plan Investments	-	10,633	10,633
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	4,466,795	103	4,466,898
Total	$ 20,216,913	$ 15,679	$ 20,232,592

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in 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

Years ended June 30,	RHBF	DIPNC
2022	$ (5,746,942)	$ 14,428
2023	(5,743,055)	10,159
2024	(2,200,942)	5,819
2025	(1,475,633)	8,584
2026	(1,614,077)	2,319
Thereafter	-	6,477
Total	$ (16,780,649)	$ 47,786

NOTE 14 - RISK MANAGEMENT

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

A. Public Entity Risk Pool

State Public Education Property Insurance Fund

Fire and other property losses are covered by the Public School Insurance Fund (the "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 million deductible per occurrence. Reinsurance is purchased by the Fund to cover catastrophic events in excess of the $10,000,000 million deductible. Membership insured property is covered under an all risk coverage contract. 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 (the "Plan"), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer contributions. Certain plans also require contributions from employees. The Plan has contracted with third parties to process claims. See Note 13, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

Short-term and long-term disability benefits are provided to College employees through the Disability Income Plan of North Carolina ("DIPNC"), part of the State's Pension and Other Employee Benefit Trust Funds. Short-Term benefits are paid by the College up to the first six months of benefits and reimbursed by DIPNC for any additional short-term benefits. As discussed in Note 13, long-term disability benefits are payable as an other postemployment benefit 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.

4. Dental Plan

The College's dental plan is self-funded and administered by Delta Dental. The administrative fee includes aggregate stop loss protection.

C. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are $1,000,000 per claim and $10,000,000 per occurrence. The College pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $2,000,000 per claim and $5,000,000 in the aggregate per fiscal year via contract with a private insurance company. 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. Employee dishonesty insurance for employees paid from non-state funds is purchased from Cincinnati Insurance Company with coverage of $25,000 per occurrence and a $1,000 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 entirely from county or institutional funds.

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

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Commitments - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $534,712 at June 30, 2021.

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

Federally funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the College.

NOTE 16 - THE CORONAVIRUS PANDEMIC EMERGENCY

In response to the coronavirus pandemic emergency, the federal government provided grants to the State and the College through various coronavirus program funds appropriated by (1) The Coronavirus Aid, Relief, and Economic Security ("CARES") Act, (2) The Coronavirus Response and Relief Supplemental Appropriations within the Federal Consolidated Appropriations Act of 2021 ("CRRSA"), and (3) The American Rescue Plan Act of 2021 ("ARP").

The grant revenues from the various coronavirus program funds are contingent upon meeting the terms and conditions of the grant and signed agreements with the funding agencies, incurring qualifying expenditures, and are reported in the following nonoperating revenue captions of the financial statements:

State Aid - Coronavirus - This caption includes grant funds received directly by the State from the Department of US Treasury, Coronavirus Relief Fund ("CRF"), and appropriated by the State to the College.

Federal Aid - COVID-19 - This caption includes grant funds received directly by the College from the US Department of Education, Higher Education Emergency Relief Funds ("HEERF"), and the US Department of Homeland Security, FEMA Disaster Recovery Funds ("DRF").

Summary of State and Federal Aid - COVID-19 Revenue Activities for the Fiscal Year Ended June 30, 2021

Program	Total Authorized Award	2020 Earned Revenue	2021 Earned Revenue	Unearned Revenue (1)
State Aid - Coronavirus Relief Fund:	N/A	$ 1,250	$ 737,902	$ -
Federal Aid - COVID-19:				
HEERF - Student Allocation	10,167,239	$ 1,837,440	$ 1,845,730	$ -
HEERF - Institutional Allocation	13,313,082	112,876	3,769,954	-
HEERF - Strengthening Institutions	484,347	-	245,931	-
Total Federal Aid - COVID-19	N/A	$ 1,950,316	$ 5,861,615	$ -

NOTE 18 - RELATED PARTIES

Foundation - The Asheville-Buncombe Technical Community College Foundation, Inc. is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, staff salaries, professional development and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net position, or operational transactions of the Foundation, except for support from the Foundation. This support approximated $662,449 for the year ended June 30, 2021. The College had receivables from the related party of $40,327 as of June 30, 2021.

NOTE 19 - SUBSEQUENT EVENTS

The College has evaluated events through February 21, 2021, which is the date the financial statements were available to be issued.

NOTE 20 - AUDIT HOURS AND COSTS

The FY 2021 audit required 390 audit hours at an approximate cost of $43,000. The cost represents 0.03% of the College's total assets and 0.07% of total expenses subject to audit.

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Community College

Required Supplementary Information

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

Exhibit C-1

Teachers' and State Employees' Retirement System	**2021**	**2020**	**2019**	**2018**
Proportionate Share Percentage of Collective Net Pension Liability	0.14740%	0.15671%	0.16074%	0.15910%
Proportionate Share of TSERS Collective Net Pension Liability	$ 17,808,864	$ 16,246,058	$ 16,003,417	12,623,696
Covered Payroll	$ 24,039,190	$ 24,536,433	$ 24,378,866	$ 23,629,330
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	74.08%	66.21%	65.64%	53.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.98%	87.56%	87.61%	89.51%

	2017	**2016**	**2015**	**2014**
Proportionate Share Percentage of Collective Net Pension Liability	0.15401%	0.16336%	0.15651%	0.15650%
Proportionate Share of TSERS Collective Net Pension Liability	$ 14,155,110	6,020,139	$ 1,834,956	$ 9,501,145
Covered Payroll	$ 22,630,011	$ 24,324,796	$ 22,473,635	$ 22,240,354
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	62.55%	24.75%	8.16%	42.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

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

Exhibit C-2

Teachers' and State Employees' Retirement System	2021	2020	2019	2018	2017
Contractually Required Contribution	$ 3,499,583	$ 3,117,883	$ 3,015,528	$ 2,628,042	$ 2,358,207
Contributions in Relation to the Contractually Determined Contribution	3,499,583	3,117,883	3,015,528	2,628,042	2,358,207
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 23,677,826	$ 24,039,190	$ 24,536,433	$ 24,378,866	$ 23,629,330
Contributions as a Percentage of Covered Payroll	14.78%	12.97%	12.29%	10.78%	9.98%

	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 2,070,646	$ 2,137,175	$ 1,952,959	$ 1,852,615	$ 1,574,204
Contributions in Relation to the Contractually Determined Contribution	2,070,646	2,137,175	1,952,959	1,852,615	1,574,204
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 22,630,011	$ 24,324,796	$ 22,473,635	$ 22,240,354	$ 21,158,659
Contributions as a Percentage of Covered Payroll	9.15%	8.79%	8.69%	8.33%	7.44%

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

Asheville-Buncombe Technical 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, 2021

Changes of Benefit Terms:

Cost of Living Increase

Teachers' and State Employees'	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Retirement System	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A	N/A

Changes of Assumptions: In 2015, 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, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience. The discount rate for the Teachers' and State Employees' Retirement System was lowered from 7.20% to 7.00% for the December 31, 2017 valuation. For the December 31, 2019 valuation, the discount rate was 7.00%.

The Boards of Trustees also adopted a new asset valuation method for the Teachers' and State Employees' Retirement System. For

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2020 *Comprehensive Annual Financial Report* .

N/A - Not Applicable

Asheville-Buncombe Technical 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 Five Fiscal Years** — *Exhibit C-3*

Retiree Health Benefit Fund	**2021**	**2020**	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability	0.12760%	0.13437%	0.13773%	0.12984%	0.13901%
Proportionate Share of Collective Net OPEB Liability	$ 35,398,534	$ 42,514,664	$ 39,235,560	$ 42,571,274	$ 60,474,075
Covered Payroll	$ 24,039,190	$ 24,536,433	$ 24,378,866	$ 23,629,330	$ 22,630,011
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	147.25%	173.27%	160.94%	180.16%	267.23%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.92%	4.40%	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina					
Proportionate Share Percentage of Collective Net OPEB Asset	0.12759%	0.13670%	0.14072%	0.13918%	0.13611%
Proportionate Share of Collective Net OPEB Asset	$ 62,767	$ 58,986.00	$ 42,745	$ 85,067	$ 84,524
Covered Payroll	$ 24,039,190	$ 24,536,433	$ 24,536,433	$ 24,378,866	$ 23,629,330
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.26%	0.24%	0.17%	0.35%	0.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	113.00%	108.47%	116.23%	116.06%

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

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

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

Exhibit C-4

Retiree Health Benefit Fund	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually Required Contribution	$ 1,581,679	$ 1,555,336	$ 1,538,434	$ 1,474,921	$ 1,372,864
Contributions in Relation to the Contractually Determined Contribution	$ 1,581,679	$ 1,555,336	1,538,434	1,474,921	1,372,864
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 23,677,826	$ 24,039,190	$ 24,536,433	$ 24,378,866	$ 23,629,330
Contributions as a Percentage of Covered Payroll	6.68%	6.47%	6.27%	6.05%	5.81%

	2016	**2015**	**2014**	**2013**	**2012**
Contractually Required Contribution	$ 1,267,281	$ 1,335,431	$ 1,213,576	$ 1,178,739	$ 1,057,933
Contributions in Relation to the Contractually Determined Contribution	1,267,281	1,335,431	1,213,576	1,178,739	1,057,933
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 22,630,011	$ 24,324,796	$ 22,473,635	$ 22,240,354	$ 21,158,659
Contributions as a Percentage of Covered Payroll	5.60%	5.49%	5.40%	5.30%	5.00%

Disability Income Plan of North Carolina	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually Required Contribution	$ 21,310	$ 24,039	$ 34,351	$ 34,130	$ 89,791
Contributions in Relation to the Contractually Determined Contribution	$ 21,310	24,039	$ 34,351	$ 34,130	$ 89,791
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 23,677,826	$ 24,039,190	$ 24,536,433	$ 24,378,866	$ 23,629,330
Contributions as a Percentage of Covered Payroll	0.09%	0.10%	0.14%	0.14%	0.38%

	2016	**2015**	**2014**	**2013**	**2012**
Contractually Required Contribution	$ 92,783	$ 99,732	$ 98,884	$ 97,858	$ 110,025
Contributions in Relation to the Contractually Determined Contribution	92,783	99,732	98,884	97,858	110,025
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 22,630,011	$ 24,324,796	$ 22,473,635	$ 22,240,354	$ 21,158,659
Contributions as a Percentage of Covered Payroll	0.41%	0.41%	0.44%	0.44%	0.52%

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

Asheville-Buncombe Technical 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, 2021

Changes of Benefit Terms: Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of four 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 four 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-pockets 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-pockets 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.

Additionally, the December 31, 2017 Disability Income Plan of North Carolina (DIPNC) actuarial valuation includes a liability for the State's potential reimbursement of health insurance premiums paid by employers during the second six months of the short-term disability benefit period.

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 following the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of College Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note **13** for more information on the specific assumptions for each plan. The actuarially determined contributions 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 2015, 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, 2010, and December 31, 2014. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the State Health Plan 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 the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement and rates of termination from active employment were reduced to more closely reflect actual experience.

For the actuarial valuation measured as of June 30, 2020, the discount rate for the RHBF was updated to 2.21%. In the prior year, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claim 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 four years. 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 for the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of 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 released December 2019.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2020 *Comprehensive Annual Financial Report*.

COMPLIANCE SECTION

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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*

To the Board of Trustees
Asheville-Buncombe Technical Community College
Asheville, 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 Asheville-Buncombe Technical Community College (the "College"), a component unit of the State of North Carolina, and the discretely presented component unit, Asheville-Buncombe Technical Community College Foundation (the "Foundation") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 21, 2022. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or, significant deficiencies. 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.

Cherry Bekaert LLP

Charlotte, North Carolina
February 21, 2022