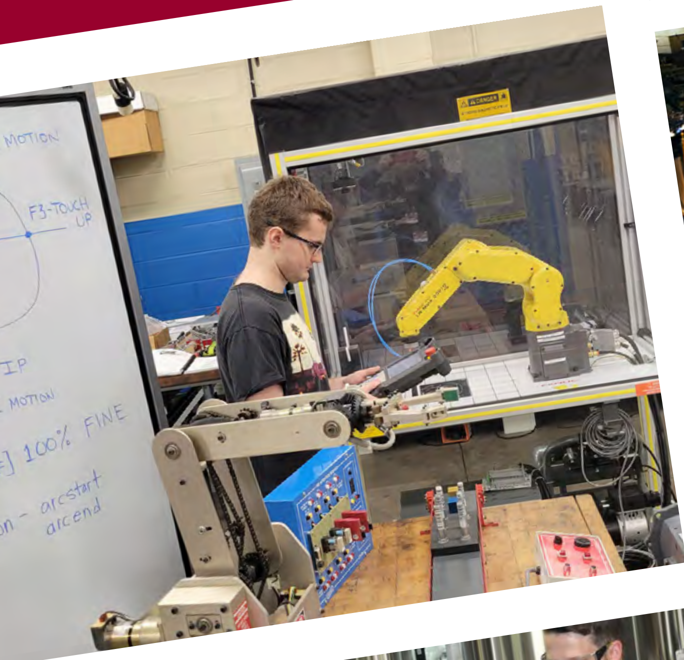
AB Tech Community College



FINANCIAL STATEMENT REPORT FOR THE YEAR ENDED JUNE 30, 2022

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ASHEVILLE–BUNCOMBE TECHNICAL COMMUNITY COLLEGE
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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the non-governmental discretely presented component unit of Asheville-Buncombe Technical Community College (the "College"), a component unit of the State of North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the non-governmental discretely presented component unit of the College as of June 30, 2022, 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.

We did not audit the financial statements of the Asheville-Buncombe Technical Community Foundation, Inc. (the "Foundation"), which is presented as a non-governmental discretely presented component unit. The Foundation represents 100% of total assets and 100% of total revenues of the non-governmental discretely presented component units. Those statements were audited by other auditors whose report thereon has been furnished to use, and our opinion, insofar as it relates to the amounts included for the Foundation is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

The accompanying financial statements represent the financial position of the College. The 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.

As described in further detail in Note 19, the Foundation had a restatement to its June 30, 2021, financial statements. Our opinion on the College's June 30, 2022, financial statements is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2023, 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
April 14, 2023

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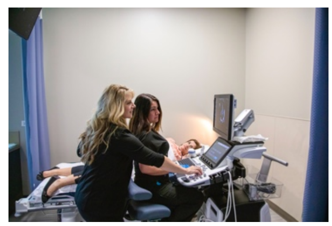
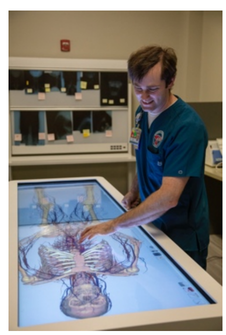
AB Tech Community College





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 developmeny 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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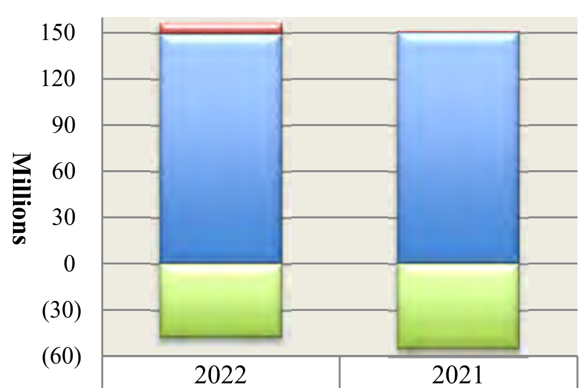
Our discussion and analysis of Asheville-Buncombe Technical Community College's (the "College") financial performance provide an overview of the College's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the financial statements and the notes thereto, which 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 13.36% from $95,746,687 at June 30, 2021 to $108,537,500 at June 30, 2022. The significant deficit in unrestricted net position of ($48,014,840) 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, 2022 and June 30, 2021.

Net Position

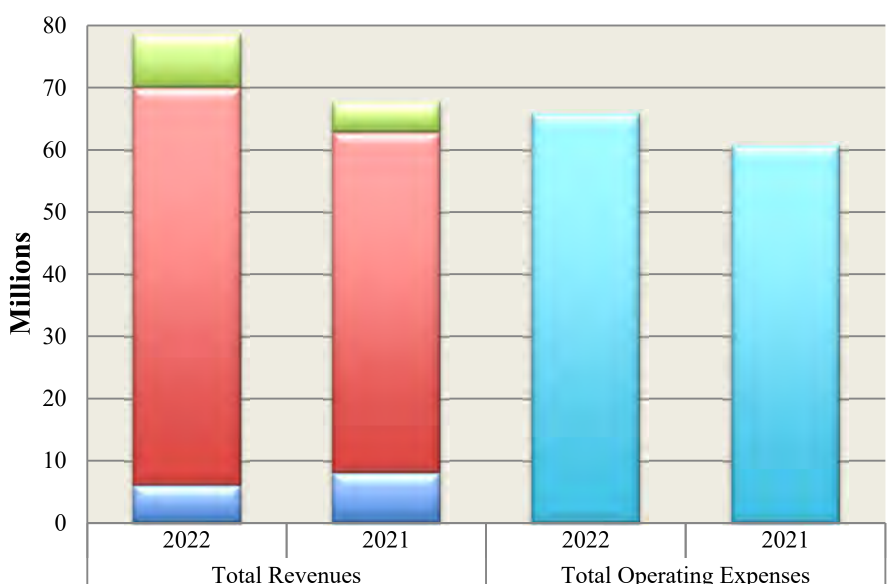


	2022	2021
Unrestricted Assets	(48,014,840)	(55,397,320)
Restricted Assets	7,099,245	961,845
Net Investment in Capital Assets	149,453,095	150,182,162
Net Position	108,537,500	95,746,687

The College's total revenues increased by $10,902,784 to $78,602,766 at June 30, 2022 from $67,699,982 at June 30, 2021. This increase is primarily due to grant funds received directly by the College from the State Capital Infrastructure Fund ("SCIF") and the US Department of Education, Higher Education Emergency Relief Funds ("HEERF"). The Higher Education Emergency Relief Fund III ("HEERF III") was authorized by the American Rescue Plan Act ("ARP"), 2021, Public Law 117-2, signed into law on March 11, 2021. In total, the ARP authorized $39.6 billion in support for education, in addition to funds authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), Public Law 116-260 and the Coronavirus Aid, Recovery, and Economic Security (CARES) Act, Public Law 116-136. Emergency funds available to institutions and their students under all emergency funds total $76.2 billion.

Expenses totaling $65,811,953 represent an 8.51% increase compared to the previous fiscal year. This change is attributed to the increase in expenses from grant funding associated with the US Department of Education, Higher Education Emergency Relief Funds.

Total Revenues and Expenses



	Total Revenues 2022	Total Revenues 2021	Total Operating Expenses 2022	Total Operating Expenses 2021
Total Expenses			65,811,953	60,648,098
Capital Revenues	8,644,156	4,929,418		
Nonoperating Revenues	63,899,862	54,735,985		
Operating Revenues	6,058,748	8,034,579		
Total Revenues	78,602,766	67,699,982		

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 Colleges 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 for the fiscal years ended June 30, 2022 and 2021, followed by a discussion on the changes in assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position.

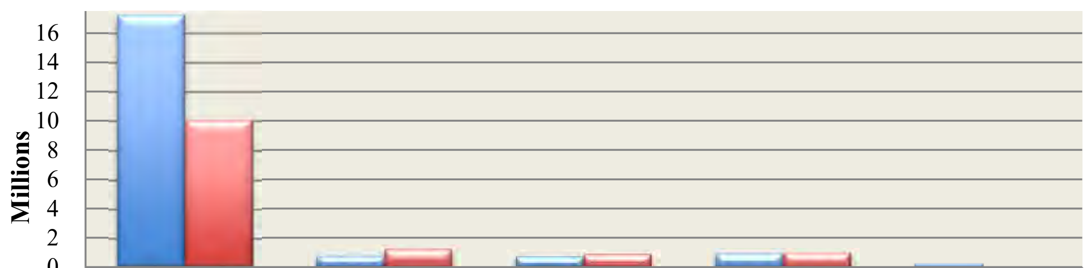
Condensed Statements of Net Position
For the Year Ended June 30, 2022
With Comparative Data for the Year Ended June 30, 2021

			Change	
	2022	2021	Amount	Percent
Assets				
Current	$ 19,928,406	$ 13,221,656	$ 6,706,750	50.73%
Capital Assets, Net	149,705,418	150,261,049	(555,631)	(0.37%)
Other Noncurrent Assets	1,514,823	169,109	1,345,714	795.77%
Total Assets	171,148,647	163,651,814	7,496,833	4.58%
Deferred Outflows of Resources	14,247,795	12,196,481	2,051,314	16.82%
Liabilities				
Current	3,051,085	2,467,228	583,857	23.66%
Noncurrent	50,179,027	56,804,802	(6,625,775)	(11.66%)
Total Liabilities	53,230,112	59,272,030	(6,041,918)	(10.19%)
Deferred Inflows of Resources	23,628,830	20,829,578	2,799,252	13.44%
Net Position				
Net Invested in Capital Assets	149,453,095	150,182,162	(729,067)	(0.49%)
Restricted	7,099,245	961,845	6,137,400	638.09%
Unrestricted	(48,014,840)	(55,397,320)	7,382,480	(13.33%)
TOTAL NET POSITION	**$ 108,537,500**	**$ 95,746,687**	**$ 12,790,813**	**13.36%**

Assets and Deferred Outflows of Resources

Current assets increased by $6,706,750 or 50.73% due to the combination of the following changes:

Change in Current Assets



	Cash and Cash Equivalents	Receivables, Net	Inventories	Prepaid Items	Lease Receivables, Net
2022	17,241,614	775,863	721,360	954,682	234,887
2021	10,066,670	1,253,905	893,515	1,007,566	-
Change	7,174,944	(478,042)	(172,155)	(52,884)	234,887

- Cash and cash equivalents increased by $7,174,944 from the previous year. The major increase is associated with cash held for General College Administration associated with lost revenue and indirect cost recovery claimed from HEERF, SCIF grant funds, and Auxiliary Enterprises related to the Bookstore.
- Net receivables decreased by $478,042 principally due to the reduction in HEERF receivables from the prior year associated with Pandemic Leave.
- Inventory decreased by $172,155 year over year primarily associated with the Bookstore inventory due to increased sales and management's initiative to reduce excess supplies on hand.
- Prepaid items decreased by $52,884 compared to the previous year. This reduction is associated with timing of payment for software renewals and insurance premiums that have previously been paid at the end of the fiscal year.

Net capital assets slightly decreased by 0.37% or $555,631 year over year. During the fiscal year, the College completed two capital projects associated with replacing the Coman Gym Flooring and upgrades to the Coman Café. Ongoing projects include the Door Access Control Upgrades, Stormwater Control Management Plan, and Hemlock Design and 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 an increase of $1,345,714. This change is attributable to the recognition of long-term lease receivables reported under GASB 87 and amounts due from primary government for approved capital projects.

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, 2022. As a result, the College recorded $7,416,068 in deferred outflows of resources related to pensions and $6,831,727 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 increased $583,857 from the previous year primarily related to the increase in accounts payable, accrued payroll, and compensated absences, as well as recognition of capital lease obligations under GASB 87.

Noncurrent liabilities decreased $6,625,775 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, 2022.

Deferred inflows of resources increased $2,799,252. This increase is primarily due to recognition of deferred inflows of resources related to leases, changes of actuarial assumptions for the Retiree Health Benefit Fund and the difference between projected and actual earnings on pension plan investments. 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 $12,790,813.

- Net investment in capital assets represents the College's total capital assets less accumulative depreciation and related debt. Net investment in capital assets decreased overall by $729,067 due to accumulated depreciation and changes in capital lease obligations under GASB 87.
- Restricted net position increased by $6,137,400 attributed to restricted grants received through the State Capital Infrastructure Fund and Dogwood Health Trust.
- Unrestricted net position has increased 13.33% by $7,382,480 due to changes in the net pension and OPEB liabilities and the receipt of HEERF funds relating to lost revenue and indirect cost recovery.

Statement of Revenues, Expenses, and Change in Net Position

Below is a condensed comparative analysis of the June 30, 2022 Statement of Revenues, Expenses, and Changes in Net Position (Exhibit A-2) contained herein and the year ended June 30, 2022, followed by discussion on changes in revenues and expenses.

Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022 with Comparative Data for the Year Ended June 30, 2021

			Change	
	2022	**2021**	**Amount**	**Percent**
Operating Revenues				
Student Tuition & Fees	$ 4,247,530	$ 6,374,293	$ (2,126,763)	(33.36%)
Sales and Services	1,564,139	1,657,283	(93,144)	(5.62%)
Lease Income	239,012	-	239,012	100.00%
Other Revenues	8,067	3,003	5,064	168.63%
Total Operating Revenues	6,058,748	8,034,579	(1,975,831)	(24.59%)
Operating Expenses				
Salaries and Benefits	37,687,931	38,054,521	(366,590)	(0.96%)
Supplies & Materials	6,060,046	4,817,237	1,242,809	25.80%
Services	7,068,364	5,749,007	1,319,357	22.95%
Scholarships	9,520,929	6,876,419	2,644,510	38.46%
Utilities	1,386,351	1,216,030	170,321	14.01%
Depreciation Amortization	4,088,332	3,934,884	153,448	3.90%
Total Operating Expenses	65,811,953	60,648,098	5,163,855	8.51%
Nonoperating Revenues/(Expenses)				
Government Appropriations	38,951,979	37,290,033	1,661,946	4.46%
Grants & Gifts	24,978,838	17,216,805	7,762,033	45.08%
Investment Income	26,238	30,398	(4,160)	(13.69%)
Lease Interest	66,599	-	66,599	100.00%
Other Nonoperating (Expenses)	(123,792)	198,749	(322,541)	(162.29%)
Total Nonoperating Revenues, Net	63,899,862	54,735,985	9,163,877	16.74%
Capital Contributions				
Government Appropriations	2,194,778	1,443,612	751,166	52.03%
Grants & Gifts	6,449,378	3,485,806	2,963,572	85.02%
Total Capital Contributions	8,644,156	4,929,418	3,714,738	75.36%
INCREASE IN NET POSITION	**$ 12,790,813**	**$ 7,051,884**	**$ 5,738,929**	**81.38%**

Operating Revenues

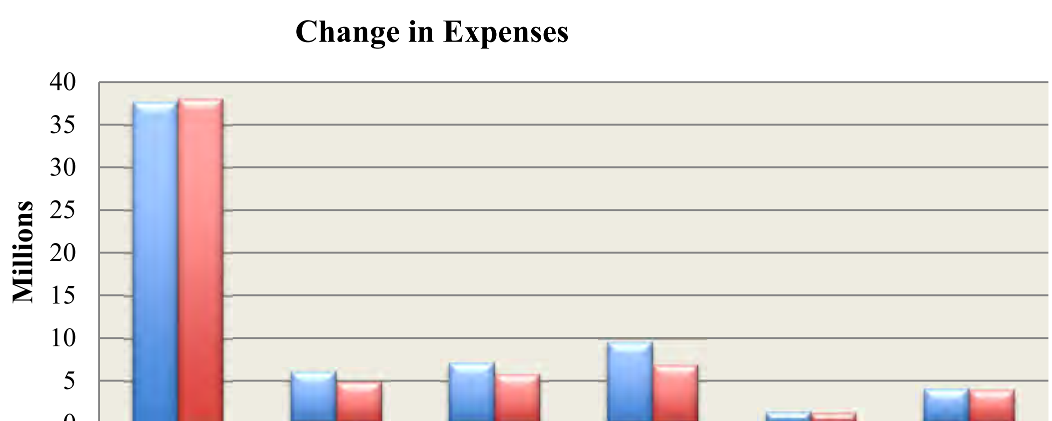
Operating revenues are derived from activities that are necessary and essential to the mission of the College.

The College's overall operating revenues decreased by $1,975,831 year over year, predominantly due to the decrease in student tuition and fees of $2,126,763 related to decreased enrollment as a result of the pandemic.

Operating Expenses

Operating expenses are necessary and essential to the mission of the College; these include all expenses apart from 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 FY22 increased by $5,163,855 overall to $65,811,953. The increase can be attributed to an increase in scholarship expenses totaling $2,644,510 because of increased HEERF distributions to students. Supplies & Materials and Services also increased significantly due to expenditures related to COVID-19 for items such as personal protective equipment, software/services for remote learning, and other purchases of equipment and services to prevent the spread of COVID-19.



	Salaries and Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation
2022	37,687,931	6,060,046	7,068,364	9,520,929	1,386,351	4,088,332
2021	38,054,521	4,817,237	5,749,007	6,876,419	1,216,030	3,934,884
Change in Amount	(366,590)	1,242,809	1,319,357	2,644,510	170,321	153,448
Change in Percentage	-0.96%	25.80%	22.95%	38.46%	14.01%	3.90%

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 $9,163,877. Impacts on nonoperating revenue can be attributed to federal and state aid received because of COVID-19 relief funds as well as other grant-funded initiatives associated with Dogwood Health Trust and The Appalachian Regional Commission.

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 increased overall by $3,714,738. State capital aid increased by $751,166 due to the completed project for Coman Gym Flooring as well as ongoing projects for installation of door access controls throughout campus and Sycamore Greenhouse improvements. The College recorded capital gifts and grants of $6,449,378 which was an 85.02% increase from the prior year. While Article 46 Sales Tax Projects recognized as capital gifts from Buncombe County decreased by $1,896,659 from the prior year, the college received a capital grant from the State Capital Infrastructure Fund (“SCIF”) totaling $5 million for the South Campus Training Center.

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 2022, the College’s total Net Position, an indication of overall worth, rose from $95.7 million FY 2021 to $108.5 million FY 2022. The Unrestricted Net Position increased from ($55.4) million to ($48) 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 Position exclusive of Plant and Plant-related debt appears positive at approximately $161.5 million FY 2021 and $167.9 million FY 2022. Likewise, when adjusted accordingly, Unrestricted Net Position also appears positive at $10.4 million FY 2021 and $11.4 million FY 2022.

The adjusted Current Ratio of the institution increased from 6.68 FY 2021 to 8.57 FY 2022. 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 decreased in FY 2022 (with the exception of depreciation), from producing a surplus of $3.7 million FY 2021 to a surplus of $1.8 million FY 2022.

Cash flows related to operations (operational and non-capital) decreased from $3.9 million in FY 2021 to $2.6 million in FY 2022.

Tuition revenues, net declined from $6.4 million and $4.2 million for FY 2021 and FY 2022, respectively.

Enrollment experienced a decline from 6,595 Budget FTE fall 2021 to 6,066 Budget FTE fall 2022.

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, 2022 with Comparative Data for the Years Ended June 30, 2020 and June 30, 2021

	2020	2021	2022
Net Investment in Capital Assets	$ 149,247,357	$ 150,182,162	$ 149,453,095
Restricted, Expendable	466,781	959,595	7,096,995
Restricted, Not expendable	2,250	2,250	2,250
Unrestricted	(61,021,585)	(55,397,320)	(48,014,840)
TOTAL NET POSITION, from Statement of Net Position	**$ 88,694,803**	**$ 95,746,687**	**$ 108,537,500**
Add back Compensated Absences-current	$ 527,882	$ 487,772	$ 725,477
Add back Compensated Absences-noncurrent	3,300,122	3,540,074	3,076,814
Less Asset - OPEB	-	(62,767)	(21,772)
Add back OPEB liability - noncurrent portion	42,514,664	35,398,534	39,889,314
Less Deferred Outflows of Resources - OPEB	(5,996,698)	(5,102,718)	(6,831,727)
Add Deferred Inflows of Resources - OPEB	17,998,655	20,232,592	13,611,531
Add back Liability-Pension GASB 68	16,246,058	17,808,864	7,081,966
Less Deferred Outflows of Resources - Pension	(6,680,471)	(7,093,763)	(7,416,068)
Add Deferred Inflows of Resources - Pension	224,925	596,986	9,315,879
TOTAL NET POSITION, adjusted for CA, OPEB, & Pensions	**$ 156,829,940**	**$ 161,552,261**	**$ 167,968,914**
UNRESTRICTED NET POSITION	$ (61,021,585)	$ (55,397,320)	$ (48,014,840)
Add back Compensated Absences-current	527,882	487,772	725,477
Add back Compensated Absences-noncurrent	3,300,122	3,540,074	3,076,814
Less Asset - OPEB	(58,986)	(62,767)	(21,772)
Add back Liability - OPEB	42,514,664	35,398,534	39,889,314
Less Deferred Outflows of Resources - OPEB	(5,996,698)	(5,102,718)	(6,831,727)
Add Deferred Inflows of Resources - OPEB	17,998,655	20,232,592	13,611,531
Add back Liability - Pension	16,246,058	17,808,864	7,081,966
Less Deferred Outflows of Resources - Pension	(6,680,471)	(7,093,763)	(7,416,068)
Add Deferred Inflows of Resources - Pension	224,925	596,986	9,315,879
UNRESTRICTED NET POSITION, adj. for CA, OPEB & Pensions	**$ 7,054,566**	**$ 10,408,254**	**$ 11,416,574**
Net effect of compensated absences (current & noncurrent)	$ 3,828,004	$ 4,027,846	$ 3,802,291
Change in net effect of compensated absences		*199,842*	*(225,555)*
Net effect of OPEB entries	$ 54,457,635	$ 50,465,641	$ 46,647,346
Change in net effect of OPEB entries		*(3,991,994)*	*(3,818,295)*
Net effect of Pension entries	$ 9,790,512	$ 11,312,087	$ 8,981,777
Change in net effect of Pension entries		*1,521,575*	*(2,330,310)*
CURRENT RATIO			
Current Assets	$ 9,163,922	$ 13,221,656	$ 19,928,406
Current Liabilities	2,626,005	2,467,228	3,051,085
Less Current Compensated Absence liability	527,882	487,772	725,477
CURRENT RATIO, adjusted	**4.37**	**6.68**	**8.57**

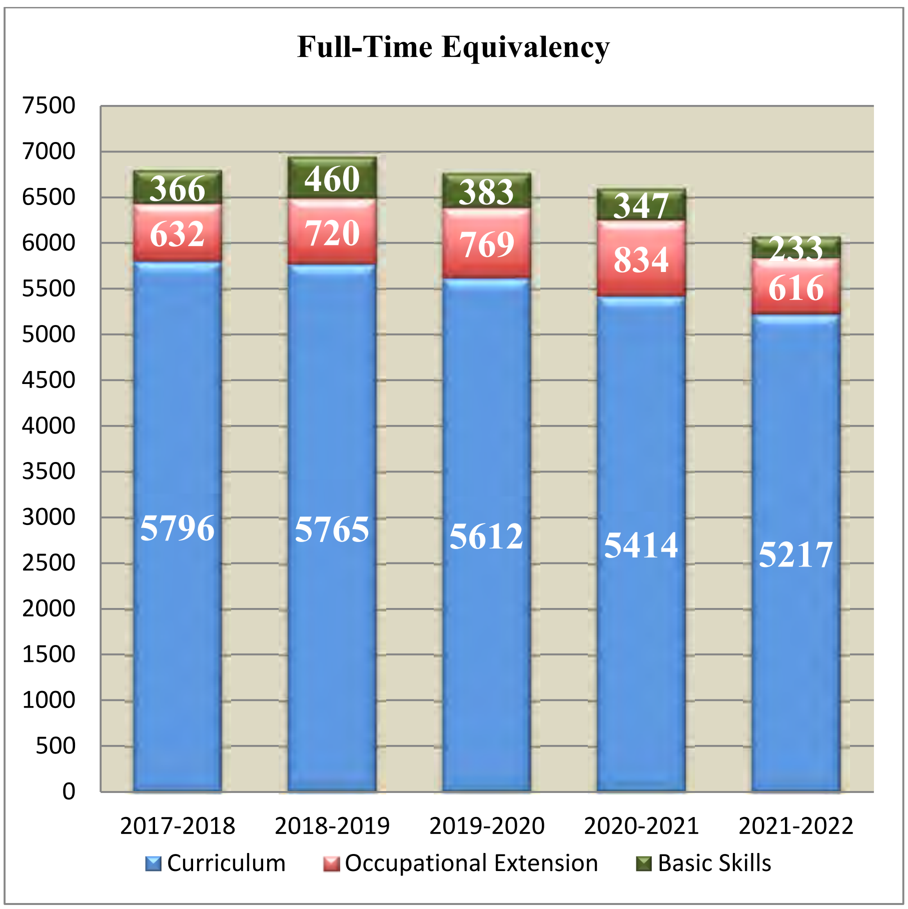
(Current Assets/(Current Liablities less current CA)

	2020	2021	2022
OPERATIONAL OUTCOMES			
Total Operating Revenues	$ 8,674,365	$ 8,034,579	$ 6,058,748
Add Total Non-operating Revenues	50,917,046	54,735,985	63,899,862
Less Operating Expenses	(64,923,222)	(60,648,098)	(65,811,953)
INCOME BEFORE OTHER REVENUES/EXP, GAINS/LOSS	**$ (5,331,811)**	**$ 2,122,466**	**$ 4,146,657**
Adjustment for change in net effect of Compensated Absences	$ 86,820	$ 199,842	$ (225,555)
Adjustment for change in net effect of OPEB entries	(2,326,833)	(3,991,994)	(3,818,295)
Adjustment for change in net effect of Pensions entries	2,783,966	1,521,575	(2,330,310)
Adjustment for Depreciation Expense	3,897,067	3,934,884	4,088,332
Operational Outcomes less non-recurring, non-cash expenses	**$ (890,791)**	**$ 3,786,773**	**$ 1,860,829**
Cash flows from operations	$ (51,603,867)	$ (49,528,990)	$ (61,584,302)
Noncapital cash flows	51,042,700	53,405,394	64,188,071
Cash flows related to operations	**$ (561,167)**	**$ 3,876,404**	**$ 2,603,769**
Cash and Equivalents	$ 6,524,067	$ 10,173,012	$ 17,320,132
Accounts Payable	$ 1,334,728	$ 1,358,233	$ 1,678,320
State Capital Appropriations	$ 2,894,531	$ 1,443,612	$ 1,246,778
Capital Grants	1,158,735	219,472	5,079,704
Other Capital Grants	-	-	-
Acquisition and Construction of Capital Assets	(3,242,551)	(1,884,109)	(1,913,789)
Construction in Progress	$ 14,010,797	$ 11,007,765	$ 10,971,484
Tuition, gross	$ 10,227,420	$ 9,742,562	$ 9,733,387
Less Scholarship Allowances	(3,501,751)	(3,340,364)	(5,584,826)
Tuition, net	**$ 6,725,669**	**$ 6,402,198**	**$ 4,148,561**
Budget FTE	6,764	6,595	6,066

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, downward enrollment trends have resulted in a negative impact to the College budget FTE. Many higher education institutions have experienced declined enrollment, and predictions suggest this trend will continue. The College must be strategic in its program offerings and course delivery methods to recruit and retain new students. The College has been fortunate to receive Federal Higher Education Emergency Relief Funding to offset the loss of revenue experienced during the pandemic and will be able to use this funding to supplement the declining State budget in FY23. The College has been awarded and continues to apply for multi-year grant funding to support initiatives aligned with strategic goals to improve student support resulting in increased enrollment, retention, and student success. The College also continues to review existing programs for continuing viability and 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 2021-22, Buncombe County's appropriation increased by $200,000 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.

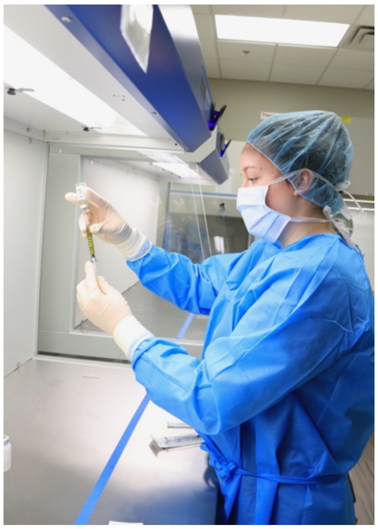
The Management of Asheville-Buncombe Technical Community College is confident in its financial stability and ability to engage citizens of Buncombe and Madison counties and beyond in higher education. The College is dedicated in its efforts toward program assessment; cost containment; continuous improvement; 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

ABTech
Community College



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FINANCIAL STATEMENTS

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Asheville-Buncombe Technical Community College
Statement of Net Position *Exhibit A-1*
June 30, 2022 *Page 1 of 2*

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	11,052,044
Restricted Cash and Cash Equivalents		6,189,570
Receivables, Net (Note 4)		775,863
Inventories		721,360
Prepaid Items		954,682
Leases Receivable, Net (Note 4)		234,887
Total Current Assets		19,928,406
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		78,518
Restricted Due from Primary Government		948,000
Leases Receivable, Net (Note 4)		466,533
Net Other Postemployment Benefits Asset		21,772
Capital Assets - Nondepreciable (Note 5)		16,929,697
Capital Assets - Depreciable, Net (Note 5)		132,775,721
Total Noncurrent Assets		151,220,241
Total Assets		171,148,647
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		7,416,068
Deferred Outflows Related to Other Postemployment Benefits (Note 13)		6,831,727
Total Deferred Outflows of Resources		14,247,795
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		1,678,320
Unearned Revenue		478,311
Funds Held for Others		47,587
Long-Term Liabilities - Current Portion (Note 7)		846,867
Total Current Liabilities		3,051,085
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		50,179,027
Total Noncurrent Liabilities		50,179,027
Total Liabilities		53,230,112
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		9,315,879
Deferred Inflows Related to Other Postemployment Benefits (Note 13)		13,611,531
Deferred Inflows for Leases		701,420
Total Deferred Inflows of Resources		23,628,830

NET POSITION	
Net Investment in Capital Assets	149,453,095
Restricted:	
Nonexpendable:	
Student Financial Aid	2,250
Total Restricted-Nonexpendable Net Position	2,250
Expendable:	
Student Financial Aid	3,020
Capital Projects	5,953,651
Other	1,140,324
Total Restricted-Expendable Net Position	7,096,995
Unrestricted	(48,014,840)
Total Net Position	$ 108,537,500

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, 2022 — Exhibit A-2

OPERATING REVENUES	
Student Tuition and Fees, Net (Note 10)	$ 4,247,530
Sales and Services, Net (Note 10)	1,564,139
Lease Income	239,012
Other Operating Revenues	8,067
Total Operating Revenues	6,058,748
OPERATING EXPENSES	
Salaries and Benefits	37,687,931
Supplies and Services	13,128,410
Scholarships and Fellowships	9,520,929
Utilities	1,386,351
Depreciation/Amortization	4,088,332
Total Operating Expenses	65,811,953
Operating Loss	(59,753,205)
NONOPERATING REVENUES (EXPENSES)	
State Aid	31,561,875
State Aid - Coronavirus	1,484,642
County Appropriations	7,390,104
Student Financial Aid	6,656,468
Federal Aid - COVID-19	12,848,898
Noncapital Contributions, Net (Note 10)	3,988,830
Investment Income (Net of Investment Expense of $0)	26,238
Interest and Fees on Debt	(16,312)
Interest Earned on Leases	66,599
Other Nonoperating Revenues (Expenses)	(107,480)
Net Nonoperating Revenues	63,899,862
Income Before Other Revenues	4,146,657
State Capital Aid	2,194,778
Capital Contributions, Net (Note 10)	6,449,378
Total Other Revenues	8,644,156
Increase in Net Position	12,790,813
NET POSITION	
Net Position - July 1, 2021	95,746,687
Net Position - June 30, 2022	$ 108,537,500

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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	5,724,374
Payments to Employees and Fringe Benefits		(43,734,706)
Payments to Vendors and Suppliers		(14,053,661)
Payments for Scholarships and Fellowships		(9,520,929)
Other Receipts		620
Net Cash Used by Operating Activities		(61,584,302)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid		31,561,875
State Aid - Coronavirus		621,620
County Appropriations		7,390,104
Student Financial Aid		6,656,468
Federal Aid - COVID-19		12,848,898
Noncapital Contributions		5,109,106
Net Cash Provided by Noncapital Financing Activities		64,188,071
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES		
State Capital Aid		1,246,778
County Capital Aid		-
Capital Contributions		5,079,704
Proceeds from Lease Arrangements		235,778
Acquisition and Construction of Capital Assets		(1,913,789)
Principal Paid on Capital Debt and Leases		(115,046)
Interest and Fees Paid on Capital Debt and Leases		(16,312)
Net Cash Provided by Capital Financing and Related Financing Activities		4,517,113
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		26,238
Net Cash Provided by Investing Activities		26,238
Net Increase in Cash and Cash Equivalents		7,147,120
Cash and Cash Equivalents - July 1, 2021		10,173,012
Cash and Cash Equivalents - June 30, 2022	$	17,320,132

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(59,753,205)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation/Amortization Expense		4,088,332
Lease Income (Amortized Deferred Inflows of Resources)		(169,179)
Other Nonoperating Income (Expenses)		(7,677)
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		(83,130)
Inventories		172,155
Prepaid items		52,884
Net Other Postemployment Benefits Asset		40,995
Deferred Outflows Related to Pensions		(322,305)
Deferred Outflows Related to Other Postemployment Benefits		(1,729,009)
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		322,160
Unearned Revenue		(82,065)
Funds Held for Others		8,297
Net Pension Liability		(10,726,898)
Net Other Postemployment Benefits Liability		4,732,066
Compensated Absences		(225,555)
Deferred Inflows Related to Pensions		(6,621,061)
Deferred Inflows Related to Other Postemployment Benefits		8,718,893
Net Cash Used by Operating Activities	$	(61,584,302)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$	87,926
Assets Acquired through a Gift		1,369,674
Loss on Disposal of Capital Assets		(99,803)
Increase in Receivables Related to Nonoperating/Other Revenues		1,818,599
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions		(241,286)

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, 2022 *Exhibit B-1*

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 783,872	$ 1,934,494	$ 2,718,366
Contributions Receivable	8,399	282,889	291,288
Other Current Assets	26,779	10,346	37,125
Total Current Assets	819,050	2,227,729	3,046,779
Noncurrent Assets:			
Foundation Endowment Investments - Restricted	1,195,459	7,121,379	8,316,838
Long-Term Contributions Receivable (Net)	-	2,210,235	2,210,235
Charitable Remainder Trusts Receivable (Net)	-	1,502,901	1,502,901
Total Noncurrent Assets	1,195,459	10,834,515	12,029,974
Total Assets	$ 2,014,509	$ 13,062,244	$ 15,076,753
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 10,934	$ 18,237	$ 29,171
Total Liabilities	10,934	18,237	29,171
NET ASSETS			
Without Donor Restrictions:	2,003,575	-	2,003,575
With Donor Restrictions	-	13,044,007	13,044,007
Total Net Assets	2,003,575	13,044,007	15,047,582
Total Liabilities and Net Assets	$ 2,014,509	$ 13,062,244	$ 15,076,753

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, 2022 *Exhibit B-2*

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 188,805	$ 706,974	$ 895,779
Grant Revenue	-	522,635	522,635
Investment Return, Net	(170,117)	(1,031,330)	(1,201,447)
Change in Value Charitable Reminder Trust	-	(273,679)	(273,679)
Special Events Revenue	78,325	22,355	100,680
In-Kind Contributions	410,900	70,334	481,234
Other Revenue	205	11,880	12,085
Net Assets Released from Restrictions	982,996	(982,996)	-
Total Support and Revenue	1,491,114.00	(953,827.00)	537,287.00
EXPENSES			
Program	1,217,971	-	1,217,971
Management and General	230,699	-	230,699
Fundraising	148,145	-	148,145
Total Expenses	1,596,815	-	1,596,815
Change in Net Assets	(105,701)	(953,827)	(1,059,528)
NET ASSETS			
Net Assets at Beginning of Year, as originally reported	885,101	15,222,009	16,107,110
Prior period adjustment (Note 19)	1,224,175	(1,224,175)	-
Net Assets at End of Year	$ 2,003,575	$ 13,044,007	$ 15,047,582

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

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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 (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 *Annual Comprehensive Financial Report*.

The accompanying financial statements present all funds of the College and its component units for which the College's Board of Trustees is financially accountable. The College's component 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, 2022, the Foundation distributed $558,193 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 Governmental Accounting Standards Board (GASB). Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* and GASB Statement No. 84, Fiduciary Activities, the full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

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

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

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

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

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

G. **Inventories** - Inventories, consisting of expendable supplies, are valued at cost using 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.

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 computer 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. Lease payables are capitalized as a right-to-use asset when the leased asset has a cost of $5,000 or greater and an estimated useful life of more than one year.

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

Asset Class	Estimated Useful Life
Buildings	10-100 years
Machinery and Equipment	2-30 years
Art, Literature, and Artifacts	2-25 years
General Infrastructure	10-75 years
Computer Software	2-30 years

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

I. **Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources whose use is limited by external parties or statute, and endowment and other restricted investments.

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 anticipation notes. Other long-term liabilities include: annuities payable, pollution remediation payable, asset retirement obligations, leases payable, compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2021 *Annual Comprehensive Financial Report.* This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 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 2021 *Annual Comprehensive Financial Report*. This liability represents the College's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

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

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

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

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

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

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

S. **Changes in Financial Accounting and Reporting -** For the fiscal year ended June 30, 2022, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 87, Leases

GASB Statement No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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 $1,155,317 and a bank balance of $1,266,992.

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, 2022, 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, 2022 the amount shown on the Statement of Net Position as cash and cash equivalents includes $16,158,840 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 0.9 years as of June 30, 2022. 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, 2021:	$ 9,637,551
Current year activity:	
Cash transfers and withdrawals, net	(114,378)
Investment income and interest	96,787
Investment loss	(1,256,935)
Community Foundation fees	(46,187)
Asset value as of June 30, 2022:	$ 8,316,838

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

C. Reconciliation of Deposits and Investments – A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2022 is as follows:

	Amount
Cash on Hand	$ 5,975
Carrying Amount of Deposits with Private Financial Institutions	1,155,317
Investments in the Short-Term Investment Fund	16,158,840
Total Deposits and Investments	$ 17,320,132
Deposits	
Current:	
Cash and Cash Equivalents	$ 11,052,044
Restricted Cash and Cash Equivalents	6,189,570
Noncurrent:	
Restricted Cash and Cash Equivalents	78,518
Total Deposits and Investments	$ 17,320,132

NOTE 3 - FAIR VALUE MEASUREMENTS

To the extent available, the College's investments are recorded at fair value as of June 30, 2022. 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.

College - At year-end, all of the College's investments valued at $16,158,840 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 Statement No. 72. The College's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

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, 2022, 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	$ 1,502,901	$ -	$ -	$ 1,502,901
	1,502,901	$ -	$ -	$ 1,502,901
Investments with Community Foundation of WNC [(a)]	8,316,838			
	$ 9,819,739			

[(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, 2022 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):

	Beneficial Interest in Remainder Trusts
July 1, 2021	$ 1,776,580
Present value adjustment	(273,679)
July 1, 2022	$ 1,502,901

NOTE 4 - RECEIVABLES

The College's receivables at June 30, 2022, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 243,681	$ 87,967	$ 155,714
Student Sponsors	158,310	29,552	128,758
Intergovernmental	361,792	-	361,792
Vendors	72,627	-	72,627
Patrons	5,685	-	5,685
Other	51,287		51,287
Total Current Receivables	$ 893,382	$ 117,519	$ 775,863
Noncurrent Receivables:			
Primary Government	$ 948,000	$ -	$ 948,000
Leases Receivable - Current:	$ 234,887	$ -	$ 234,887
Leases Receivable - Noncurrent:	$ 466,533	$ -	$ 466,533

Note 5 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2022, is presented as follows:

	Balance June 30, 2021	Adjustments	Increases	Decreases	Balance June 30, 2022
Capital Assets, Nondepreciable:					
Land	$ 5,958,213	$ -	$ -	$ -	$ 5,958,213
Construction in Progress - Infrastructure	11,007,765	-	2,205,158	2,241,439	10,971,484
Total Capital Assets, Nondepreciable	16,965,978	-	2,205,158	2,241,439	16,929,697
Capital Assets, Depreciable:					
Buildings	159,441,213	-	763,610	-	160,204,823
General Infrastructure	13,533,500	-	1,477,829	-	15,011,329
Machinery and Equipment	18,727,209	(111,172)	1,138,864	619,826	19,135,075
Lease Assets - Depreciable:					-
Right to Use Lease Asset - M&E	-	399,654		-	399,654
Total Capital/Lease Assets, Depreciable	191,701,922	288,482	3,380,303	619,826	194,750,881
Less Accumulated Depreciation/Amortization for:					
Buildings	43,993,121	-	2,493,014	-	46,486,135
General Infrastructure	3,412,189	-	279,579	-	3,691,768
Machinery and Equipment	11,001,541	-	1,187,045	520,023	11,668,563
Lease Assets, Depreciable:					-
Right to Use Lease Asset - M&E	-	-	128,694	-	128,694
Total Accumulated Depreciation	58,406,851	-	4,088,332	520,023	61,975,160
Total Capital Assets, Depreciable, Net	133,295,071	288,482	(708,029)	99,803	132,775,721
Capital Assets, Net	$ 150,261,049	$ 288,482	$ 1,497,129	$ 2,341,242	$ 149,705,418

Note 6 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2022, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 847,197
Accrued Payroll	724,328
Contracts Payable	87,926
Intergovernmental Payables	18,869
Total	$ 1,678,320

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2022, is presented as follows:

	Balance June 30, 2021	Prior Year Adjustments	Additions	Reductions	Balance June 30, 2022	Current Portion
Capital Leases Payable	$ 78,887	$ 288,482	$ -	$ 115,046	$ 252,323	$ 121,390
Compensated Absences	4,027,846	-	2,449,634	2,675,189	3,802,291	725,477
Net Pension Liability	17,808,864	-	-	10,726,898	7,081,966	-
Net OPEB Liability	35,398,534	-	4,490,780	-	39,889,314	-
Total Long-Term Liabilities	$ 57,314,131	$ 288,482	$ 6,940,414	$ 13,517,133	$ 51,025,894	$ 846,867

Additional information regarding leases payable is included in Note 8.
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 - LEASES

The College's leasing arrangements at June 30, 2022 are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Receivable (Liability) June 30, 2022	Current Portion	Lease Terms (1)	Interest Rate Ranges
Lessor:					
Buildings	14	$ 701,420	$ 234,887	33 Months	3%-15%
Total	14	$ 701,420	$ 234,887		
Lessee:					
Right-to-Use Machinery and Equipment	18	$ 252,323	$ 121,390	28 Months	3.65%-6.27%
Total	18	$ 252,323	$ 121,390		

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

A. Lease Receivable - During the year the College did not recognize any variable payment amounts.

B. Lease Liability - During the year the College did not recognize any variable payment amounts

Future principal and interest lease payments as of June 30, 2022 were as follows:

Fiscal Year	Principle	Interest	Total
2023	$ 121,390	$ 9,968	$ 131,358
2024	92,098	4,045	96,143
2025	35,406	681	36,087
2026	3,429	24	3,453
Total	$ 252,323	$ 14,718	$ 267,041

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	$ (8,981,777)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	$ (46,669,118)
Effect on Unrestricted Net Position	$ (55,650,895)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	$ 7,636,055
Total Unrestricted Net Position	$ (48,014,840)

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	Change in Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 9,733,387	$ -	$ 5,584,826	$ (98,969)	$ 4,247,530
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Bookstore	1,919,127	14,163	560,096	(13,769)	1,358,637
Vending	32,708	-	-	-	32,708
Other	47,474	-	-	-	47,474
Sales and Services of Education and Related Activities	125,320	-	-	-	125,320
Total Sales and Services, Net	$ 2,124,629	$ 14,163	$ 560,096	$ (13,769)	$ 1,564,139
Nonoperating Revenues:					
Noncapital Contributions, Net	$ 3,988,830	$ -	$ -	$ -	$ 3,988,830
Other Revenues:					
Capital Contributions, Net	$ 6,449,378	$ -	$ -	$ -	$ 6,449,378

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	$ 19,854,778	$ 4,045,519	$ -	$ -	$ -	$ 23,900,297
Academic Support	4,869,833	513,181	-	-	-	5,383,014
Student Services	3,278,985	193,964	-	-	-	3,472,949
Institutional Support	7,213,473	4,169,521	-	-	-	11,382,994
Operations & Maintenance of Plant	2,236,320	2,533,077	-	1,386,351	-	6,155,748
Student Financial Aid	-	-	9,520,929	-	-	9,520,929
Auxiliary Enterprises	234,542	1,673,148	-	-	-	1,907,690
Depreciation	-	-	-	-	4,088,332	4,088,332
Total Operating Expenses	$ 37,687,931	$ 13,128,410	$ 9,520,929	$ 1,386,351	$ 4,088,332	$ 65,811,953

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 $7,291,495 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. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from with an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The College's contractually-required contribution rate for the year ended June 30, 2022 was 16.38% of covered payroll. Plan members' contributions to the pension plan were $1,511,339, and the College's contributions were $4,135,532 for the year ended June 30, 2022.

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 2021 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.osc.nc.gov/ or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, the 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 2021 *Annual Comprehensive Financial Report.*

Net Pension Liability: At June 30, 2022, the College reported a liability of $7,081,966 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total pension liability to June 30, 2021. The College's proportion of the net pension liability was based on a projection of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021 (measurement date), the College's proportion was 0.15124%, which was an increase of 0.00384% from its proportion measured as of June 30, 2020, which was 0.14740%.

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	12/31/2020
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% inflation and productivity factor.
** Investment rate of return includes inflation
is net of pension plan investment expense.

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

The actuarial assumptions used in the December 31, 2020 valuations were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (the measurement date) 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 as part of a study conducted in 2016, 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, 2021 is 1.3%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2020 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, 2021, calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.5%) or 1-percentage point higher (7.5%) than the current rate:

Net Pension Liability (Asset)

1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
$23,755,582	$7,081,966	($6,777,989)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2022, the College recognized pension expense of $1,802,227. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 398,086	$ 160,839
Changes of assumptions	2,656,522	-
Net difference between projected and actual earnings on pension plan investments (see note below)	-	8,774,644
Change in proportion and differences between agency's contributions and proportionate share of contributions	225,928	380,396
Contributions subsequent to the measurement date	4,135,532	-
Total	$ 7,416,068	$ 9,315,879

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in Pension Expense:

Year Ending June 30:	Amount
2023	$ (1,019,394)
2024	(1,142,869)
2025	(1,181,933)
2026	(2,691,147)
Total	$ (6,035,343)

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 2021 *Annual Comprehensive Financial Report.* An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.osc.gov/ or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the plans.

Methods Used to Value Plan Investments: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the other postemployment 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 2021 *Annual Comprehensive Financial Report.*

B. Plan Descriptions

1. Health Benefits

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

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of 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. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System, the Legislative Retirement System, the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

Section 35.21 (c) & (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired on or after January 1, 2022. 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, 2022, 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, 2022 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The College's contractually-required contribution rate for the year ended June 30, 2022 was 6.29% of covered payroll. The College's contributions to the RHBF were $1,582,051 for the year ended June 30, 2022.

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 and 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, 2022 was 0.09% of covered payroll. The College's contributions to DIPNC were $22,670 for the year ended June 30, 2022.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2022, the College reported a liability of $39,889,314 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The College's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021 (measurement date), the College's proportion was 0.12903%, which was an increase of 0.00143% from its proportion measured as of June 30, 2020, which was 0.12760%.

Net OPEB Asset: At June 30, 2022, the College reported an asset of $21,772 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2020, and update procedures were used to roll forward the total OPEB liability to June 30, 2021. The College's proportion of the net OPEB asset was based on a projection of the present value of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2021 (measurement date), the College's proportion was 0.13329%, which was an increase of 0.00570% from its proportion measured as of June 30, 2020, which was 0.12760%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2020, 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, 2021 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2020	12/31/2020
Inflation	3%	3%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	7%	3.00%
Healthcare Cost Trend Rate - Medical	6% grading down to 5% by 2026	6% grading down to 5% by 2026
Healthcare Cost Trend Rate - Prescription Drug	9.5% grading down to 5% by 2030	9.5% grading down to 5% by 2030
Healthcare Cost Trend Rate - Medicare Advantage	5%	N/A
Healthcare Cost Trend Rate - Administrative	3%	3%

* Salary increases include 3.25% inflation and productivity factor.
** Investment rate of return is net of OPEB 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 or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through 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 projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2021.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2021 (the measurement date) 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 as part of a study conducted in 2016, 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, 2021 is 1.3%.

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

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

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

Currently, as described 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, 2020 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as 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 2.16% at June 30, 2021 compared to 2.21% at June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2021.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to 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 (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
RHBF	$	47,447,760	39,889,314	33,767,824

		1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
DIPNC	$	(13,746)	(21,772)	(29,196)

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%, Pharmacy - 4% - 8.5%, Med. Advantage - 4% Administrative - 2.%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, 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		32,303,618	39,889,314	49,952,439

		1% Decrease (Medical - 4% - 5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6%, Pharmacy - 5% - 9.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC	$	(22,916)	(21,772)	(20,347)

OPEB Expense: For the fiscal year ended June 30, 2022, the College recognized OPEB expense as follows:

OPEB Plan		Amount
RHBF	$	(2,021,958)
DIPNC	$	49,380
Total OPEB Expense	$	(1,972,578)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2022, 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	$ 235,501	$ 55,511	$ 291,012
Changes of Assumptions	3,262,602	3,823	3,266,425
Net Difference Between Projected and Actual Earnings on Plan Investments	-	2,125	2,125
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,656,043	11,401	1,667,444
Contributions Subsequent to the Measurement Date	1,582,051	22,670	1,604,721
Total	$ 6,736,197	$ 95,530	$ 6,831,727

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 742,526	$ -	742,526
Changes of Assumptions	9,693,970	7,904	9,701,874
Net Difference Between Projected and Actual Earnings on Plan Investments	20,405	-	20,405
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	3,142,479	4,247	3,146,726
Total	$ 13,599,380	$ 12,151	$ 13,611,531

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 ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows

Year Ending June 30:	RHBF	DIPNC
2023	$ (5,264,804)	$ 15,753
2024	(1,690,365)	11,218
2025	(950,370)	14,106
2026	(1,092,917)	7,561
2027	553,222	3,725
Thereafter	-	8,346
Total	$(8,445,234)	$ 60,709

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 (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. Each member selects the deductible that will be applicable to their losses, and this deductible ranges from $1,000 to $5,000. Building and contents are valued under a replacement cost basis. No coinsurance penalties apply. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

B. Employee Benefit Plans

1. State Health Plan

College employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. 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 for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 13, long-term disability benefits are payable as 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 $10,000,000 in the aggregate per fiscal year via contract with a private insurance companies. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. The North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is $5,000,000 per occurrence. The private insurance company pays 90% of each loss less a $100,000 deductible. 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 *Annual Comprehensive 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 $527,245 at June 30, 2022.

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, 2022:

Program	Total Authorized Award	2020 Earned Revenue	2021 Earned Revenue	2022 Earned Revenue	Unearned Revenue (1)
State Aid - Coronavirus Relief Fund:	N/A	$ 1,250	$ 737,902	$ 1,484,642	$ -
Federal Aid - COVID-19:					
HEERF - Student Allocation	10,167,239	$ 1,837,440	$ 1,845,730	$ 6,484,069	$ -
HEERF - Institutional Allocation	13,313,082	112,876	3,755,031	5,583,730	-
HEERF - Strengthening Institutions	1,041,953	-	260,854	781,099	-
Total Federal Aid - COVID-19	N/A	$ 1,950,316	$ 5,861,615	$ 12,848,898	$ -

(1) The Unearned Revenue Column represents funds that have been received as of June 30th for which incurred qualifying expenditures/uses of funds or other eligibility requirements for reporting as earned revenue have not yet been met including specified grantor/provider requirements.

NOTE 17 - 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 $558,193 for the year ended June 30, 2022. The College had receivables from the related party of $12,920 as of June 30, 2022.

NOTE 18 - NET POSITION RESTATEMENTS

Component Unit – The Foundation discovered during the current year that the 2021 Foundation financial statements required a correction to the previously stated financial statements. Management discovered that amounts regarding net assets with donor restrictions and board designated net assets without donor restrictions were misclassified. The adjustments resulted in an increase in board designated net assets and net assets without donor restrictions of $1,224,175 and a decrease in net assets with donor restriction of $1,224,175 for the year ended June 30, 2021.

NOTE 19 - SUBSEQUENT EVENTS

The College has evaluated events through April 14, 2023, which is the date the financial statements were available to be issued.

NOTE 20 - AUDIT HOURS AND COSTS

The FY 2022 audit required 380 audit hours at an approximate cost of $46,200. The cost represents 0.03% of the College's total assets and 0.07% of total expenses subject to audit.

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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 Nine Fiscal Years**

Exhibit C-1

Teachers' and State Employees' Retirement System	**2022**	**2021**	**2020**	**2019**	**2018**
Proportionate Share Percentage of Collective Net Pension Liability	0.15124%	0.14740%	0.15671%	0.16074%	0.15910%
Proportionate Share of TSERS Collective Net Pension Liability	$ 7,081,966	$ 17,808,864	$ 16,246,058	$ 16,003,417	12,623,696
Covered Payroll	$ 23,677,826	$ 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	29.91%	74.08%	66.21%	65.64%	53.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.86%	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	**2022**	**2021**	**2020**	**2019**	**2018**
Contractually Required Contribution	$ 4,135,532	$ 3,499,583	$ 3,117,883	$ 3,015,528	$ 2,628,042
Contributions in Relation to the Contractually Determined Contribution	4,135,532	3,499,583	3,117,883	3,015,528	2,628,042
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 25,188,964	$ 23,677,826	$ 24,039,190	$ 24,536,433	$ 24,378,866
Contributions as a Percentage of Covered Payroll	16.42%	14.78%	12.97%	12.29%	10.78%

	2017	**2016**	**2015**	**2014**	**2013**
Contractually Required Contribution	$ 2,358,207	$ 2,070,646	$ 2,137,175	$ 1,952,959	$ 1,852,615
Contributions in Relation to the Contractually Determined Contribution	2,358,207	2,070,646	2,137,175	1,952,959	1,852,615
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 23,629,330	$ 22,630,011	$ 24,324,796	$ 22,473,635	$ 22,240,354
Contributions as a Percentage of Covered Payroll	9.98%	9.15%	8.79%	8.69%	8.33%

Note: Changes of 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, 2022

Changes of Benefit Terms:

Cost of Living Increase

Teachers' and State Employees'	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Retirement System	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A	N/A

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

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

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

Methods 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 18 months following the date of the valuation results. See Note 12 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 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the 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 improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

The discount rate for the Teachers' and State Employees' Retirement System was lowered from 7.00% to 6.50% effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina’s 2021 *Annual*

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 Six Fiscal Years**

Exhibit C-3
Page 1 of 2

Retiree Health Benefit Fund	**2022**	**2021**	**2020**	**2019**	**2018**
Proportionate Share Percentage of Collective Net OPEB Liability	0.12903%	0.12760%	0.13437%	0.13773%	0.12984%
Proportionate Share of Collective Net OPEB Liability	$ 39,889,314	$ 35,398,534	$ 42,514,664	$ 39,235,560	$ 42,571,274
Covered Payroll	$ 23,677,826	$ 24,039,190	$ 24,536,433	$ 24,378,866	$ 23,629,330
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	168.47%	147.25%	173.27%	160.94%	180.16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.72%	6.92%	4.40%	4.40%	3.52%

	2017
Proportionate Share Percentage of Collective Net OPEB Liability	0.13901%
Proportionate Share of Collective Net OPEB Liability	$ 60,474,075
Covered Payroll	$ 22,630,011
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	267.23%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.41%

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 Six Fiscal Years**

Disability Income Plan of North Carolina	**2022**	**2021**	**2020**	**2019**	**2018**
Proportionate Share Percentage of Collective Net OPEB Asset	0.13329%	0.12759%	0.13670%	0.14072%	0.13918%
Proportionate Share of Collective Net OPEB Asset	$ 21,772	$ 62,767	$ 58,986.00	$ 42,745	$ 85,067
Covered Payroll	$ 23,677,826	$ 24,039,190	$ 24,536,433	$ 24,378,866	$ 23,629,330
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.09%	0.26%	0.24%	0.18%	0.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	105.18%	115.57%	113.00%	108.47%	116.23%

	2017
Proportionate Share Percentage of Collective Net OPEB Asset	0.13611%
Proportionate Share of Collective Net OPEB Asset	$ 84,524.00
Covered Payroll	$ 22,630,011
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 ***Exhibit C-4***
Last Ten Fiscal Years

Retiree Health Benefit Fund	**2022**	**2021**	**2020**	**2019**	**2018**
Contractually Required Contribution	1,582,051	$ 1,581,679	$ 1,555,336	$ 1,538,434	$ 1,474,921
Contributions in Relation to the Contractually Determined Contribution	1,582,051	$ 1,581,679	$ 1,555,336	$ 1,538,434	$ 1,474,921
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 25,188,964	$ 23,677,826	$ 24,039,190	$ 24,536,433	$ 24,378,866
Contributions as a Percentage of Covered Payroll	6.28%	6.68%	6.47%	6.27%	6.05%

	2017	**2016**	**2015**	**2014**	**2013**
Contractually Required Contribution	$ 1,372,864	$ 1,267,281	$ 1,335,431	$ 1,213,576	$ 1,178,739
Contributions in Relation to the Contractually Determined Contribution	$ 1,372,864	$ 1,267,281	$ 1,335,431	$ 1,213,576	$ 1,178,739
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 23,629,330	$ 22,630,011	$ 24,324,796	$ 22,473,635	$ 22,240,354
Contributions as a Percentage of Covered Payroll	5.81%	5.60%	5.49%	5.40%	5.30%

Asheville-Buncombe Technical Community College
Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans — Exhibit C-4
Last Ten Fiscal Years — Page 2 of 2

Disability Income Plan of North Carolina	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 22,670	$ 21,310	$ 24,039	$ 34,351	$ 34,130
Contributions in Relation to the Contractually Determined Contribution	$ 22,670	$ 21,310	$ 24,039	$ 34,351	$ 34,130
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 25,188,964	$ 23,677,826	$ 24,039,190	$ 24,536,433	$ 24,378,866
Contributions as a Percentage of Covered Payroll	0.09%	0.09%	0.10%	0.14%	0.14%

	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 89,791.00	$ 92,783.00	$ 99,732.00	$ 98,884.00	$ 97,858.00
Contributions in Relation to the Contractually Determined Contribution	89,791.00	92,783.00	99,732.00	98,884.00	97,858.00
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 23,629,330	$ 22,630,011	$ 24,324,796	$ 22,473,635	$ 22,240,354
Contributions as a Percentage of Covered Payroll	0.38%	0.41%	0.41%	0.44%	0.44%

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

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, 2022

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

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

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

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

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

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 preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of College Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 13 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

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

Consistent with the prior year, for the actuarial valuation measured as of June 30, 2021, the discount rate for the RHBF was updated to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. In 2020, 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 claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next 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 to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2021 *Annual Comprehensive Financial Report* .

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COMPLIANCE SECTION

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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 the business-type activities and the non-governmental discretely presented component unit of Asheville-Buncombe Technical Community College (the "College"), a component unit of the State of North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated April 14, 2023. Our report includes a reference to another auditor, who audited the financial statements of the Asheville-Buncombe Technical Community College Foundation, Inc. (non-governmental discretely presented component unit of the College), as described in our report on the College's financial statements. The financial statements of the Asheville-Buncombe Technical Community College Foundation, Inc. (non-governmental discretely presented component unit of the College) was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with Asheville-Buncombe Technical Community College Foundation, Inc. (non-governmental discretely presented component unit of the College) or that is reported on separately by the auditor who audited the financial statements of Asheville-Buncombe Technical Community College Foundation, Inc. (non-governmental discretely presented component units of the College).

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 or significant deficiencies may exist that were not identified.

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Report on 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Charlotte, North Carolina
April 14, 2023