Guilford Technical Community College
Audited Financial Statements
Jamestown, North Carolina
As of and for the Year Ended June 30, 2021

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LOVELL-SMIT & ASSOCIATES PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Members of the Board of Trustees
Guilford Technical Community College
Jamestown, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Guilford Technical Community College (the College), a component unit of the State of North Carolina, and the discretely presented component unit, Guilford Technical Community College Foundation, Inc. (the Foundation) as well as its blended component unit, GTCC Innovative Resources Corporation and Subsidiary as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Emphasis of Matter

As discussed in Note 19 to the financial statements, during the year ended June 30, 2021, Guilford Technical Community College adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Our opinions are not modified with respect to this matter.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Guilford Technical Community College Foundation, Inc. and GTCC Innovative Resources Corporation were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend in the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guilford Technical Community College and its discretely presented component unit of the College, as of June 30, 2021, and the 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.

Other Matters – Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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.

Lovell-Smit & Associates PLLC

Charlotte, North Carolina
February 18, 2022

INTRODUCTION

Guilford Technical Community College (the "College" or "GTCC") provides the following Management's Discussion and Analysis (MD&A) as an overview of the financial activity during the fiscal year ended June 30, 2021. This discussion, the following financial statements, and related notes to the financial statements have been prepared by management and comprise the College's complete financial report. The financial statements, notes to the financial statements, and this discussion are the responsibility of College management.

The purpose of the MD&A is to identify significant transactions that have financial impact and to highlight favorable and unfavorable trends. It should be read in conjunction with, and is qualified in its entirety by, the financial statements and notes to the financial statements.

GTCC is a comprehensive, public, two-year college serving primarily Guilford County residents on multiple campuses located in the Piedmont Triad region of NC. Providing educational opportunities to approximately 27,500 students per year, the College offers a broad range of college transfer, associate and technical degree programs in addition to customized corporate training, continuing education and special interest classes.

REPORTING ENTITY

The financial statements report information about the College as a whole with one blended component unit. GTCC Innovative Resources Corporation is a legally separate, non-profit organization formed to assist the College in its mission of service to the community. Its activities are blended with the College's as if it was part of the College; however, it is subject to a separate independent audit.

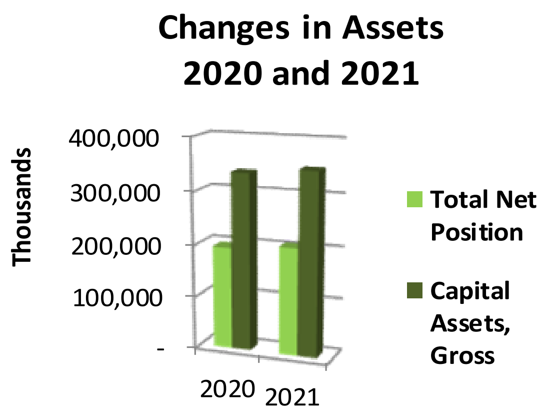
USING THE ANNUAL REPORT/ OVERVIEW OF FINANCIAL STATEMENTS

The College's financial report includes three financial statements:

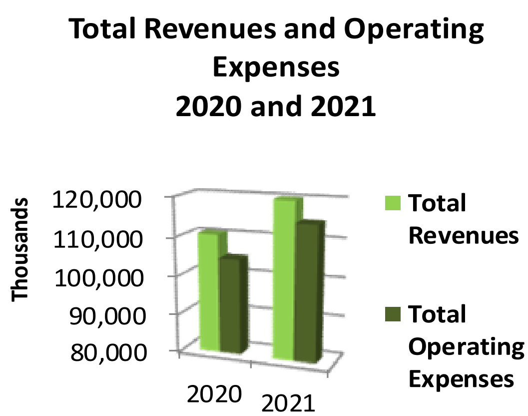
- the Statement of Net Position;
- the Statement of Revenues, Expenses, and Changes in Net Position; and
- the Statement of Cash Flows.

These statements are prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities* and present financial information in a form similar to that used by corporations.

FINANCIAL HIGHLIGHTS 2020 AND 2021



- The College's total assets exceed total liabilities at June 30, 2021 by $206,216,782 (total net position). This is an increase of $10,200,406 in net position over the prior fiscal year.
- Capital assets before depreciation increased $11,514,987 to $348,656,862 on June 30, 2021.



- Total revenues for the fiscal year ended June 30, 2021 were $125,087,793, an increase of $14,409,705 from the prior year. Operating revenues decreased by $1,649,942 to $11,110,309 during the same period.
- Operating expenses at June 30, 2021 increased by $9,972,159 from the prior year to $114,691,442.

STATEMENT OF NET POSITION

The Statement of Net Position summarizes the financial position of the College at June 30, 2021, defined by the balances of assets, liabilities, and assets net of liabilities. The statement is a point-in-time statement, the purpose of which is to present a fiscal snapshot of the College. From the data presented, readers of this statement are able to determine the assets available to continue the operations of the institution. The net position is one indicator of the College's financial health. Increases or decreases in net position (excluding mandated restatements) are one measure of the improvement or erosion of the College's financial health when considered with non-financial factors such as enrollment levels and the condition of the facilities.

The Statement of Net Position includes all assets and liabilities. It is prepared under the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The net position of the College is categorized as follows:

- **Investment in capital assets** represents the College's equity in property, plant and equipment owned by the College.
- **Restricted: Expendable** are funds available for expenditure by the College that must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets.
- **Unrestricted funds** are funds available for any lawful need of the College.

The following table is prepared from the College's Statement of Net Position. It summarizes and compares the College's assets, liabilities and net position on June 30, 2021 and June 30, 2020.

Condensed Statement of Net Position	FY 2021	FY 2020	Increase/<Decrease>	
			Amount	Percent
Assets:				
Current Assets	$ 40,179,378	34,045,868	$ 6,133,510	18.0%
Noncurrent Assets:				
Capital Assets, Net	261,693,105	256,770,231	4,922,874	1.9%
Other	3,878,066	9,161,020	(5,282,954)	-57.7%
Total Assets	305,750,549	299,977,119	5,773,430	1.9%
Deferred Outflows:				
Pensions	11,066,049	10,019,925	1,046,124	10.4%
OPEB	5,072,602	5,646,639	(574,037)	-10.2%
Total Deferred Outflows	16,138,651	15,666,564	472,087	3.0%
Liabilities:				
Current Liabilities	4,882,020	3,922,826	959,194	24.5%
Noncurrent Liabilities	79,204,916	85,980,802	(6,775,886)	-7.9%
Total Liabilities	84,086,936	89,903,628	(5,816,692)	-6.5%
Deferred Inflows:				
Pensions	338,412	739,820	(401,408)	-54.3%
OPEB	31,247,070	28,983,859	2,263,211	7.8%
Total Deferred Inflows	31,585,482	29,723,679	1,861,803	6.3%
Net Position:				
Investment in Capital Assets	261,693,105	256,770,231	4,922,874	1.9%
Restricted:				
Expendable	6,359,455	11,518,888	(5,159,433)	-44.8%
Unrestricted	(61,835,778)	(72,272,743)	10,436,965	-14.4%
Total Net Position	$ 206,216,782	$ 196,016,376	$ 10,200,406	5.2%

Some highlights of the information presented in the table above include:

- Total current assets at June 30, 2021 were $40.2 million, an increase of $6.1 million (18.0%) from the prior fiscal year. This is predominately due to an increase in cash related to lost revenue and indirect cost revenue from federal Higher Education Emergency Relief Fund (HEERF). These funds allowed for recovery of lost revenue attributable to COVID-19 after the date of the declaration of the national pandemic emergency (March 2020). Additionally, during FY21, the College utilized HEERF monies to discharge student debt that was incurred after the declaration of the national pandemic emergency. This discharge totaled $0.7 million and reduced accounts receivable. There is an increase in accounts receivable totaling $1.2 million for expected insurance reimbursement caused by the September 2020 cyber-attack. Also, prepaid expenses increased $1.3 million related to advertising ($0.7 million), software subscriptions ($0.3 million) and insurance costs ($0.2 million).

- Total noncurrent assets decreased $0.4 million (0.1%) to $265.6 million. This was due to a decrease in the restricted receivable due from primary government of $0.3 million related to state funded construction projects.
- Total Deferred Outflows for FY21 increased $0.5 million from FY20. The increase reflects changes in assumptions made by the State's actuaries related to the Pension, Retiree Health and Disability Income funds.
- Total current liabilities increased year over year with a net increase of $0.9 million. This increase is caused by unearned revenue from HEERF funds. This unearned revenue was caused by revenue recognitions standards that prohibit revenue recognition in excess of the percentage of aid distributed to students. The application of these percentages resulted in unearned revenue totaling $1.1 million. As the College begins to distribute the HEERF III student funds in fall 2021, this unearned revenue will be "earned".
- Total noncurrent liabilities decreased $6.8 million predominately due to a change in factors used by the State's actuaries related to the Retiree Health funds. The retiree health plan continues to be extremely underfunded. According to the audit of the State's OPEB plan, as of June 30, 2020 (the date used for recording these amounts), the plan is only funded at $2.1 billion against a $29.8 billion liability.
- Total Deferred Inflows for FY21 are $31.6 million, an increase of $1.9 million. This decrease relates to change of actuarial assumptions for the Retiree Health Benefit Fund in the amount of $2.2 million.
- The total net position at June 30, 2021 was $206.2 million. As of June 30, 2020, total net position was $196.0 million.

Capital Assets

A critical factor in GTCC's ability to provide quality education is its capacity to develop, expand and improve its capital assets portfolio. Delivering a quality education in the appropriate facility and with proper equipment maximizes the learning experience for the citizens of Guilford County. A Condensed Statement of Capital Assets is presented to provide further detail on this major area of the Statement of Net Position.

Condensed Statement of Capital Assets	FY 2021	FY 2020	Increase/(Decrease)	
			Amount	Percent
Land	$ 22,193,527	$ 22,087,526	$ 106,001	0.5%
Construction in Progress	20,288,974	11,245,229	9,043,746	80.4%
Buildings	233,519,410	232,598,653	920,757	0.4%
General Infrastructure	24,362,420	24,253,105	109,315	0.5%
Machinery and Equipment	48,292,531	46,957,362	1,335,169	2.8%
Total	348,656,862	337,141,875	11,514,987	3.4%
Less: Accumulated Depreciation	86,963,757	80,371,644	6,592,113	8.2%
Net Capital Assets	$ 261,693,105	$ 256,770,231	$ 4,922,874	1.9%

Capital assets are comprised of land, construction in progress (CIP), buildings, infrastructure, equipment, vehicles, parking areas and road systems. Prior to depreciation, capital assets grew $11.5 million over the prior year. The increase is the result of increases in CIP of $9.0 million related predominately to the Medlin Campus Center project. Additionally, there was a $1.3 million increase in machinery and equipment.

During FY21, work has continued on the $20.0 million Medlin Campus Center renovation that is GTCC's approved project to be partially funded by the FY16 NC Connect Bonds ($9.5 million). The remainder of the project is being funded by local and institutional funds totaling $10.5 million. At June 30, 2021, the construction is almost complete and the building is expected to open during the fall of 2021.

Machinery and Equipment rose $1.3 million. The major expenditures were for the upfit of the Medlin Campus Center.

The College does not issue debt to fund capital assets. The primary funding sources for equipment expenditures are state and county appropriations. State capital funds, county general obligation bonds and county appropriations fund construction expenditures.

As of June 30, 2021, GTCC has future commitments for construction totaling $1.6 million.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the activity of the College during the year and is subdivided into four major components: operating revenues, operating expenses, nonoperating revenues (expenses), and other revenues, expenses, gains or losses.

Revenues are reported by major source. Intra-departmental sales, services and transfers are eliminated. Generally, operating revenues are earned for providing goods and services to the various constituencies of the institution. Due to the classification of certain revenues as non-operating revenue, the College shows a loss from operations under governmental accounting standards. State and county appropriations, while budgeted for operations, are considered nonoperating revenues and are reflected accordingly in the nonoperating section of the Statement of Revenues, Expenses and Changes in Net Position, even though these funds are used solely for operating purposes. Nonoperating revenues include activities that have non-exchange characteristics (the College received revenue without providing a commensurate good or service). In addition to state and county appropriations, the financial statements also classify federal grants (such as Pell) and contracts, and gifts as nonoperating revenues.

Student tuition and fees are reported net of scholarship discounts and allowances. Student loans are accounted for as third party payments while all other aid is reflected as operating expenses or scholarship allowances that reduce revenues.

Expenses are reported by natural classification. Operating expenses are incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

This schedule is prepared from the College's Statement of Revenues, Expenses, and Changes in Net Position.

Statement of Revenues, Expenses and Net Position		FY 2021	FY 2020	Increase/<Decrease>	
				Amount	Percent
Operating Revenue					
Student Tuition and Fees, Net		$ 7,109,090	$ 7,565,581	$ (456,491)	-6.0%
Sales and Services, Net		3,943,507	4,939,805	(996,298)	-20.2%
Other Operating Revenues		57,712	254,865	(197,153)	-77.4%
Total Operating Revenue	*	11,110,309	12,760,251	(1,649,942)	-12.9%
Operating Expenses					
Salaries and Benefits		56,009,675	59,499,923	(3,490,248)	-5.9%
Supplies and Materials		16,003,756	11,293,360	4,710,396	41.7%
Services		12,080,031	10,281,956	1,798,075	17.5%
Scholarships and Fellowships		21,404,392	14,482,278	6,922,114	47.8%
Utilities		2,231,885	2,163,607	68,278	3.2%
Depreciation		6,961,703	6,998,159	(36,456)	-0.5%
Total Operating Expenses	**	114,691,442	104,719,283	9,972,159	9.5%
Operating Loss		(103,581,133)	(91,959,032)	(11,622,101)	-12.6%
Nonoperating Revenues (Expenses)					
State Aid	*	43,686,482	42,810,089	876,393	2.0%
State Aid - Coronavirus Relief	*	3,518,169	-	3,518,169	N/A
County Appropriations	*	17,100,000	16,650,000	450,000	2.7%
Noncapital Grants - Student Financial Aid	*	23,340,215	26,738,204	(3,397,989)	-12.7%
Federal Aid - COVID-19	*	15,133,989	1,595,478	13,538,511	848.6%
Noncapital Grants, Gifts and Interest	*	2,373,043	2,341,936	31,107	1.3%
Other Nonoperating Revenues	*	1,371,406	-	1,371,406	N/A
Other Nonoperating Expenses	**	(195,944)	(446,758)	250,814	56.1%
Net Nonoperating Revenues (Expenses)		106,327,360	89,688,949	16,638,411	18.6%
Income (Loss) before other Revenues		2,746,227	(2,270,083)	5,016,310	221.0%
State Capital Aid	*	4,884,597	6,144,259	(1,259,662)	-20.5%
County Capital Aid	*	2,302,829	1,305,949	996,880	76.3%
Capital Grants and Gifts	*	266,753	331,922	(65,169)	-19.6%
Increase in Net Position		10,200,406	5,512,047	4,688,359	85.1%
Net Position, Beginning of Year		196,016,376	190,504,329	5,512,047	2.9%
Net Position, End of Year		$ 206,216,782	$ 196,016,376	$ 10,200,406	5.2%

*Total Revenues equals $125,087,793.
**Total Expenses equal $114,887,386.

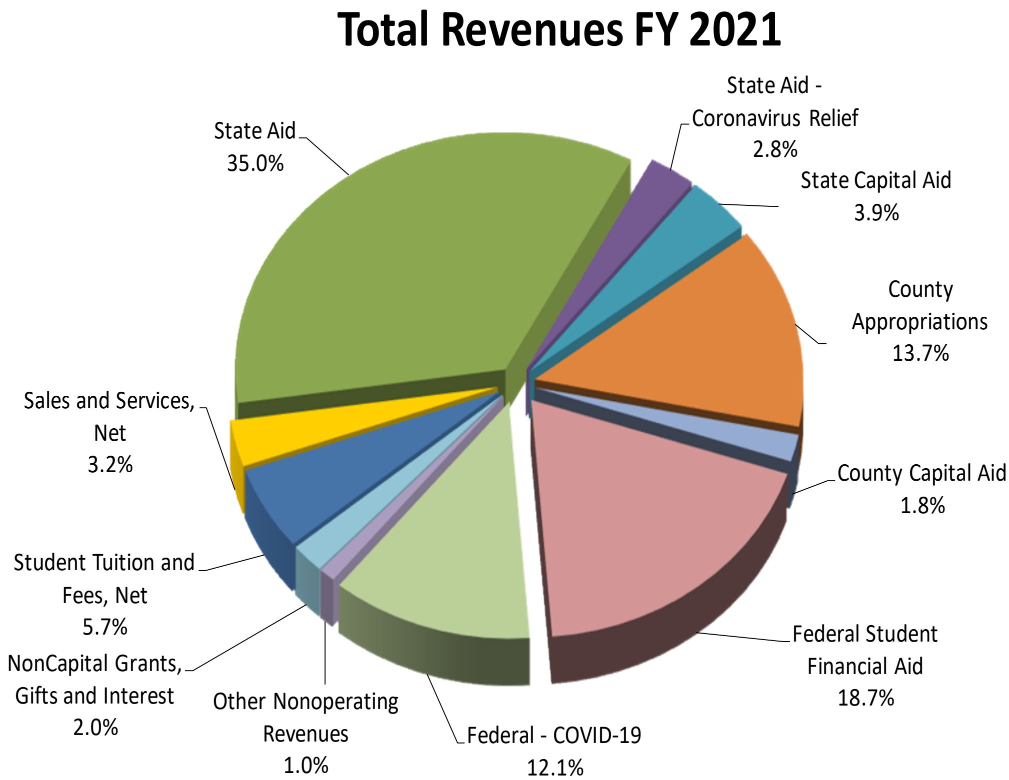
Revenues

Operating revenues decreased by $1.6 million from FY20 to FY21 predominately related to sales and services, net ($1.0 million). Sales and services were down due to the reduced sales in the GTCC Campus Stores and the GIRC conference center was shuttered for most of the year due to COVID-19. Additionally, there was a decrease in student tuition and fees totaling $0.5 million resulting from decreased enrollment during the pandemic.

Net nonoperating revenues increased $16.6 million to $106.3 million in FY21. This was primarily due to state and federal aid related to COVID-19 totaling $17.0 million and an increase in other nonoperating revenue of $1.2 million related to the expected insurance reimbursement related to the cyber-attack. There was a decrease in student financial aid of $3.4 million related to decrease in enrollment during the pandemic.

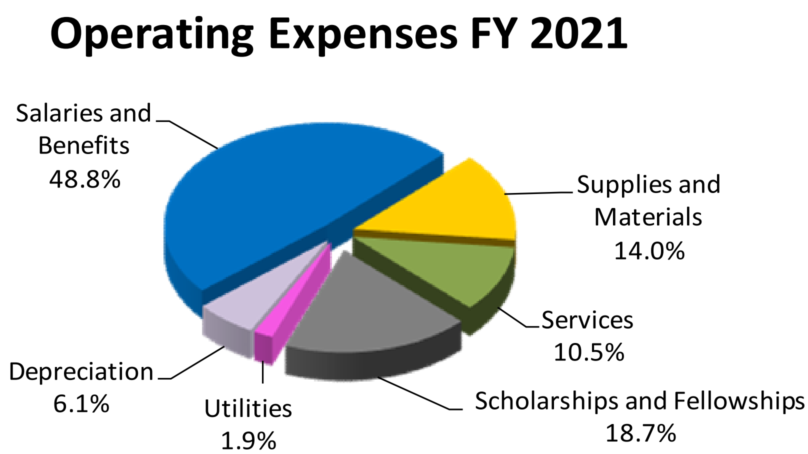
Revenues attributed to capital were relatively flat from FY20 to FY21 decreasing $0.3 million. These revenues were impacted by a decrease in state capital aid in the amount of $1.3 million as GTCC completes projects funded by state allocations. County capital aid increased $1.0 million related to projects funded by local appropriations.

Overall, state aid (both appropriations and capital aid excluding coronavirus relief funds), net of tuition receipts collected, constituted 38.9% of the College's total revenues for FY21, a decrease from last year's rate of 44.4%. This is predominately caused by the increase in total revenues attributable to the federal HEERF funds received by the College.



Expenses

Operating expenses for FY21 increased $10.0 million overall to $114.7 million. The increase was caused by HEERF distributions to students which increased $8.1 million from FY20 to FY21, $1.2 million in cyber-attack expenditures and $2.4 million of expenditures related to COVID-19 for items such as personal protective equipment, software/services for remote learning, creation of barriers in facilities to prevent the spread of COVID-19 and other such expenditures.



Expenses by functional area show trends consistent with the College's focus on student retention and completion initiatives.

Expenses by Functional Area	FY 2021	FY 2020	Increase/(Decrease) Amount	Percent
Education and General				
Instruction	$ 34,272,280	$ 35,207,420	$ (935,140)	-2.7%
Academic Support	8,824,141	9,455,153	(631,012)	-6.7%
Student Services	7,067,217	5,379,967	1,687,250	31.4%
Institutional Support	15,727,157	13,253,837	2,473,320	18.7%
Operations and Maintenance of Plant	15,035,459	13,449,318	1,586,141	11.8%
Student Financial Aid	21,404,392	14,482,278	6,922,114	47.8%
Total Educational and General	102,330,646	91,227,973	11,102,673	12.2%
Other Operating Expenses				
Auxiliary Enterprises	5,399,093	6,493,151	(1,094,058)	-16.8%
Depreciation	6,961,703	6,998,159	(36,456)	-0.5%
Total Other Operating Expenses	12,360,796	13,491,310	(1,130,514)	-8.4%
Total Operating Expenses	$ 114,691,442	$ 104,719,283	$ 9,972,159	9.5%

- Instructional expenses reflect a decrease of $0.9 million caused predominately by timing in salaries and benefits for summer pay as well as a reduction in the number of part-time instructors.
- Academic Support decreased by $0.6 million and are primarily related to a reduction in salaries and benefits for the College's Quality Enhancement Plan, Academic Preparedness and the Center for Academic Engagement.
- Student Services increased $1.7 million due to expenditures for the upfit of the Medlin Campus Center totaling $1.6 million.
- Institutional Support increased by $2.5 million overall. This is a result of increased spending in Information Technology Services of $1.0 million due to the cyber-attack and the remote learning software purchases due to COVID-19. Additionally,

the College had increased advertising expenses of $0.7 million and purchases for the Medlin Campus Center totaling $0.9 million.

- Increases in Operations and Maintenance of Plant totaling $1.6 million were related to supplies and services needed to prevent the spread of COVID-19.
- Increases in Student Financial Aid were caused by increases in HEERF distributions of $8.1 million less decreases in Pell due to a decline in enrollment of $2.2 million.
- Auxiliary Enterprises declined from FY20 by $1.1 million. This was caused by $0.5 million reductions in items for resale as sales were down from the prior year. Additionally, in the prior year, Campus Stores provided $0.5 million to fund construction in the Medlin Campus Center for the new Campus Store.
- Depreciation expense remained relatively flat year over year.

STATEMENT OF CASH FLOWS

The statement of cash flows illustrates the sources and uses of cash by an entity. The sources and uses of cash are further divided into the categories of operating, investing or financing activities. The statement of cash flows shows the change in cash from one period to the next.

In private industry, the operating category is generally regarded as the most important section of the cash flow statement because it shows whether a company was able to generate cash from its operating activities. However, public colleges' dependency on state and county aid and gifts usually results in an operating deficit as those items are classified as nonoperating revenues under governmental accounting standards.

This schedule is prepared from the College's Statement of Cash Flows.

Condensed Statement of Cash Flows	FY 2021	FY 2020	Increase/<Decrease>	
			Amount	Percent
Cash Flows from Operating Activities	$ (101,766,410)	$ (86,389,395)	$ (15,377,015)	-17.8%
Cash Flows from Noncapital Financing Activities	105,655,837	89,425,922	$ 16,229,915	18.1%
Csah Flows from Capital and Related Financing Activities	(4,875,688)	(4,442,408)	$ (433,280)	-9.8%
Cash Flows from Investing Activities	153,642	646,195	$ (492,553)	-76.2%
Net increase (decrease) in cash and cash equivalents	(832,619)	(759,686)	$ (72,933)	-9.6%
Cash and cash equivalents, July 1	39,248,153	40,007,839	$ (759,686)	-1.9%
Cash and cash equivalents, June 30	$ 38,415,534	$ 39,248,153	$ (832,619)	-2.1%

FACTORS IMPACTING FUTURE PERIODS

Just like higher education institutions everywhere, GTCC was highly impacted by the COVID-19 pandemic throughout the 2020-2021 fiscal year. For much of the year, in-person classes were limited and many employees were working from home. However, as of June 2021, all employees have returned to their offices full time, and in-person course offerings have expanded throughout the summer and fall 2021 semesters. Though the college continues expanding in-person activities, the pandemic continues to remain at the forefront of decision making, most notably because of the Delta variant. The college remains committed to following safety guidelines including mask requirements on campus and encouragement for all employees and students to get vaccinated. This commitment will continue as long as needed to protect the safety of the campus community and to ensure the College is doing its part to reduce further spread of the coronavirus.

Throughout the past year, the College has struggled to fill vacant positions for new and varied reasons. Valuable staff in critical positions have already been lost due to the availability of jobs that pay more, allow flexible work schedules, and offer options for teleworking. According to the Society for Human Resource Management (SHRM), 90% of employers surveyed said they were struggling to fill open positions, and 73% are seeing a decrease in applications. GTCC must begin to think of new and innovative ways to become more competitive and be open to increased flexibility in its efforts to attract and retain crucial staff. This is especially true of teleworking, since so many industries have embraced this as a long-term solution, and many employees would prefer this option. Increased minimum wages are yet another challenge. While GTCC recently increased its minimum wage for permanent employees to $14/hour, many temporary GTCC employees are still at $11. Over the last year, this has led to issues with fully staffing the campus stores and attracting student workers for positions across campus. Discussions are underway to address these issues.

More than ever, the menace of cyber-attacks threatens operations and security of personal information. This was made very evident when GTCC experienced its own cyber-attack in September 2020. Operations were significantly impacted for months, staff dedicated countless hours to restoring processes, and a significant amount of personal information was compromised. Moving forward, GTCC understands the stiff competition for IT personnel, and the College is concerned about being able to employ the appropriate amount of staff to prevent similar breaches in the future.

Downward enrollment trends and the resulting budget impacts are another significant and ongoing concern. Sources are predicting that, due to declining birthrates, traditional college-aged students will fall more than 15% after the year 2025. GTCC must rethink its recruitment strategies, program offerings, and course delivery methods to target new audiences. Populations such as adult learners or individuals from rural communities. Program offerings and delivery methods for both curriculum and continuing education must also consider the changing needs of the workforce, current job opportunities, and preferred methods of learning. Some of these have shifted significantly during the coronavirus pandemic. If downward enrollment trends continue, GTCC must explore ways to manage with fewer students and concerted retention and success initiatives must be developed.

If not for the Federal Higher Education Emergency Relief Funding (HEERF) received throughout the pandemic, the College's auxiliary service functions, including campus stores, would have experienced a considerable loss of revenue. The GTCC Conference Center, which is not eligible for the federal assistance, also suffered a decrease in revenues of 91%. Thankfully that business has been rebounding well in recent months, although the new Delta variant threatens to further impede the College's progress toward growing a healthy fund balance to help offset other deficits.

Meanwhile, the inability for the NC General Assembly and the Governor to pass an operating budget for the second consecutive year only serves to aggravate the situation. Again, thanks to HEERF, we are able to reserve enough funding to help cover the budget deficit for fiscal 2021/22. However, the College cannot rely upon such a windfall in the future. Analysis must be carried out to understand what is negatively impacting enrollment and what can be done to turn that tide. One concept under discussion involves GTCC funding the first two years of college for Guilford County high school graduates beginning fall 2022. While the Governor's Longleaf Commitment Grant (funded from HEERF) could help initiate GTCC's "college promise," Longleaf funding is not yet allocated for new high school graduates beyond 2021. And even if those funds are appropriated, sustaining such a promise for future high school graduates is a very costly endeavor. Additional analysis must be conducted to determine the return on investment and cost effectiveness of the program.

Today's challenges for higher education necessitate new forms of leadership and requires decision makers to be innovative, strategic thinkers who are willing to consider and try out-of-the-box ideas. GTCC's leadership team is a relatively new to each other, with half joining the team just before or during the pandemic. With many new leaders in place, the team needs time to build trust, evaluate existing processes, and build the knowledge needed for successful outcomes. Over the last eighteen months, much of leadership's focus and energy has been spent supporting the college, faculty, staff, and students during the pandemic. While this was the right thing to do, it took away the time and ability to assess "normal" processes/procedures, and opportunities to build cohesiveness within a team learning to work together. As such, shifting from the "how we always do it" mindset to large-scale exploring of new and innovative ideas and processes has been especially difficult. There has also been little time to fully analyze technology and other improvements that were implemented as the college had to quickly pivot to fully online learning and remote working in 2020. Understanding these improvements, analyzing how they were utilized by students and employees, and leveraging improvements that were well received may be one of the key factors to making GTCC more competitive from both a student enrollment and employment perspective.

Change is difficult for a community college, but there has never been a better time to revitalize the community college model. Given all that the community and nation have endured from an economic standpoint during the pandemic, it's time to help re-educate individuals who have lost work or are ready to explore new and better career opportunities. Employers are struggling to hire skilled workers as they look to begin recovering from the effects of the pandemic. To implement critical change to meet these needs, new staff, faculty, technology, and other resources are vital to meet this need. Leadership will need to find and allocate resources to support this. The traditional community college mindset is to be prudent with spending because community colleges are funded through tax dollars. Bold, yet astute, investment is needed to build critical resources to meet the needs of students and our community.

Expeditious, informed decision-making will be important to support transformative change. Tapping into the expertise of well-rounded/experienced leaders and making data-driven decisions will improve efficiency and support well-informed strategy and implementation of key priorities.

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 29,127,252
Restricted Cash and Cash Equivalents	5,740,937
Receivables, Net (Note 4)	1,661,480
Inventories	860,017
Prepaid Items	2,789,192
Notes Receivable, Net (Note 4)	500
Total Current Assets	40,179,378
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	3,547,345
Restricted Due from Primary Government	238,251
Net Other Postemployment Benefits Asset	92,470
Capital Assets - Nondepreciable (Note 5)	42,482,501
Capital Assets - Depreciable, Net (Note 5)	219,210,604
Total Noncurrent Assets	265,571,171
Total Assets	305,750,549
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	11,066,049
Deferred Outflows Related to Other Postemployment Benefits (Note 13)	5,072,602
Total Deferred Outflows of Resources	16,138,651
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	2,310,567
Unearned Revenue	2,144,551
Funds Held for Others	39,754
Long-Term Liabilities - Current Portion (Note 7)	387,148
Total Current Liabilities	4,882,020
Noncurrent Liabilities:	
Long-Term Liabilities (Note 7)	79,204,916
Total Noncurrent Liabilities	79,204,916
Total Liabilities	84,086,936
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	338,412
Deferred Inflows Related to Other Postemployment Benefits (Note 13)	31,247,070
Total Deferred Inflows of Resources	31,585,482

NET POSITION		
Net Investment in Capital Assets		261,693,105
Restricted for:		
Expendable:		
Student Financial Aid		5,450
Capital Projects		2,133,775
Other		4,220,230
Total Restricted-Expendable Net Position		6,359,455
Unrestricted		(61,835,778)
Total Net Position	$	206,216,782

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

Guilford Technical Community College
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2021 — *Exhibit A-2*

OPERATING REVENUES		
Student Tuition and Fees, Net (Note 10)	$	7,109,090
Sales and Services, Net (Note 10)		3,943,507
Other Operating Revenues		57,712
Total Operating Revenues		11,110,309
OPERATING EXPENSES		
Salaries and Benefits		56,009,675
Supplies and Services		28,083,787
Scholarships and Fellowships		21,404,392
Utilities		2,231,885
Depreciation		6,961,703
Total Operating Expenses		114,691,442
Operating Loss		(103,581,133)
NONOPERATING REVENUES		
State Aid		43,686,482
State Aid - Coronavirus		3,518,169
County Appropriations		17,100,000
Student Financial Aid		23,340,215
Federal Aid - COVID-19		15,133,989
Noncapital Contributions, Net		2,373,043
Investment Income		153,642
Other Nonoperating Revenues		1,021,820
Net Nonoperating Revenues		106,327,360
Income Before Other Revenues		2,746,227
State Capital Aid		4,884,597
County Capital Aid		2,302,829
Capital Contributions		266,753
Total Other Revenues		7,454,179
Increase (Decrease) in Net Position		10,200,406
NET POSITION		
Net Position - July 1, 2020		196,016,376
Net Position - June 30, 2021	$	206,216,782

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

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 11,472,813
Payments to Employees and Fringe Benefits	(60,204,603)
Payments to Vendors and Suppliers	(31,562,716)
Payments for Scholarships and Fellowships	(21,404,393)
Loans Issued to Students	(10,000)
Collection of Loans to Students	9,500
William D. Ford Direct Lending Receipts	19,315,363
William D. Ford Direct Lending Disbursements	(19,315,363)
Other Receipts (Payments)	(67,011)
Net Cash Provided (Used) by Operating Activities	(101,766,410)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid	43,686,482
State Aid - Coronavirus	3,518,169
County Appropriations	17,100,000
Student Financial Aid	23,340,215
Federal Aid - COVID-19	16,321,002
Noncapital Contributions	1,689,969
Net Cash Provided (Used) by Noncapital Financing Activities	105,655,837
CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES	
State Capital Aid	5,243,481
County Capital Aid	2,300,329
Acquisition and Construction of Capital Assets	(12,419,498)
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	(4,875,688)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	153,642
Net Cash Provided (Used) by Investing Activities	153,642
Net Increase (Decrease) in Cash and Cash Equivalents	(832,619)
Cash and Cash Equivalents - July 1, 2020	39,248,153
Cash and Cash Equivalents - June 30, 2021	$ 38,415,534

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(103,581,133)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation/Amortization Expense		6,961,704
Other Nonoperating Income (Expenses)		2,083,337
Changes in Assets and Deferred Outflows of Resources:		
Receivables, Net		(855,351)
Inventories		(95,408)
Prepaid items		(1,266,393)
Notes Receivable, Net		(9,005)
Net Other Postemployment Benefits Asset		(500)
Deferred Outflows Related to Pensions		(1,046,124)
Deferred Outflows Related to Other Postemployment Benefits		574,037
Changes in Liabilities and Deferred Inflows of Resources:		
Accounts Payable and Accrued Liabilities		439,003
Unearned Revenue		(82,598)
Funds Held for Others		20,275
Net Pension Liability		3,319,750
Net Other Postemployment Benefits Liability		(10,008,813)
Compensated Absences		(80,994)
Deferred Inflows Related to Pensions		(401,408)
Deferred Inflows Related to Other Postemployment Benefits		2,263,211
Net Cash Used by Operating Activities	$	(101,766,410)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	$	974,388
Assets Acquired through a Gift		266,753
Loss on Disposal of Capital Assets		(191,349)

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

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

ASSETS		
Current Assets		
Cash and cash equivalents	$	162,603
Accounts Receivable		60,774
Promises to give within one year		206,594
Investments - available for sale		15,968,498
Prepaid expenses		279
Total Current Assets		16,398,748
Other Assets		
Promises to give due after one year, less discounts of $260,184		187,190
Investments - partnership and REIT interests		1,333,808
Land		1,564,540
Beneficial interest in charitable remainder trust		122,566
Total Other Assets		3,208,104
Total Assets	$	19,606,852
LIABILITIES		
Current Liabilities		
Accounts payable	$	58,997
Deferred revenue		2,500
Total Liabilities		61,497
NET ASSETS		
Without Donor Restrictions		11,020,242
With Donor Restrictions		8,525,113
Total Net Assets		19,545,355
Total Liabilities and Net Assets	$	19,606,852

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support:			
Contributions, net of discounts	$ 200,365	$ 633,486	$ 833,851
Change in beneficial interest in charitable remainder trust	-	22,429	22,429
Grants	-	186,161	186,161
Investment income	1,805,582	1,024,593	2,830,175
Miscellaneous income	-	4,636	4,636
Administrative services contributed by college	272,539	-	272,539
Contributed materials and equipment	11,256	-	11,256
Net asset releases/reclassifications	673,791	(673,791)	-
Total Support and Revenue	2,963,533	1,197,514	4,161,047
OPERATING EXPENSES			
Program Support	392,626	-	392,626
Student Aid	274,396	-	274,396
Contributed materials and equipment	297,762	-	297,762
Administration	351,971	-	351,971
Total Expenses	1,316,755	-	1,316,755
Change in Net Assets	1,646,778	1,197,514	2,844,292
NET ASSETS			
Net Assets at Beginning of Year	9,373,464	7,327,599	16,701,063
Net Assets at End of Year	$ 11,020,242	$ 8,525,113	$ 19,545,355

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

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

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

Blended Component Unit - Although legally separate, GTCC Innovative Resources Corporation (GIRC) (and its subsidiary GTCC Corporation for Creativity and Commerce) is reported as if it was part of the College. GIRC is governed by a 14-member board consisting of five ex-officio directors and six elected directors and three non-voting liaison directors. GIRC's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the College has operational responsibility for GIRC and GIRC's sole purpose is to benefit Guilford Technical Community College, its financial statements have been blended with those of the College.

Separate financial statements for GIRC may be obtained from the College Chief Financial Officer, P.O. Box 309, Jamestown, NC 27282.

Condensed combining information regarding blended component units is provided in Note 18.

Discretely Presented Component Unit – Guilford Technical Community College Foundation, Inc. (Foundation) is a legally separate, nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of their 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 34 members of which nine are non-voting emeritus directors. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

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

During the year ended June 30, 2021, the Foundation distributed $589,943 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the College Chief Financial Officer, P.O. Box 309, Jamestown, NC 27282.

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

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

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

D. **Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, savings accounts, money market accounts, overnight repurchase agreements, 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 3.

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

F. **Inventories** - Inventories, consisting of expendable supplies, postage, fuel and merchandise for resale are valued at cost using last invoice cost.

G. **Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

The College capitalizes assets that have a value or cost of $5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

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

Asset Class	Estimated Useful Life
Buildings	10-50 years
Machinery and Equipment	2-25 years
General Infrastructure	10-75 years

H. **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, and resources whose use is limited by external parties or statute.

I. **Accounting and Reporting of Fiduciary Activities** -There are no other trust or custodial funds meeting the criteria of a fiduciary activity that are required to be reported in separate fiduciary fund financial statements.

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

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

The net OPEB liability represents the College's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2020 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 13 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

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

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the College to all permanent employees as of September 30, 2002, as of July 1, 2003 and as of September 1, 2005. The unused portion of this leave remains available until used notwithstanding the limitation on annual leave carried forward as described above.

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.

L. **Deferred Outflows/Inflows of Resources** - Deferred outflows of resources represent a consumption of net position 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.

M. **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.

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.

N. **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.

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

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

P. 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 college printing and supplies, and postal services. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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 $5,540, and deposits in private financial institutions with a carrying value of $5,730,981 and a bank balance of $7,093,766.

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

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2021, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6(d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3 (STIF); obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2021, the amount shown on the Statement of Net Position as cash and cash equivalents includes $32,679,013, which represents the College's equity position in the State Treasurer's Short Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2021. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs' separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at https://www.nctreasurer.com/ in the Audited Financial Statements section.

A reconciliation of deposits and investments for the College to the basic financial statement as of June 30, 2021, is as follows:

Cash on Hand	$	5,540
Carrying Amount of Deposits with Private Financial Institutions		5,730,981
Investments in the Short-Term Investment Fund		32,679,013
Total Deposits and Investments	$	38,415,534
Deposits		
Current:		
Cash and Cash Equivalents	$	29,127,252
Restricted Cash and Cash Equivalents		5,740,937
Noncurrent:		
Restricted Cash and Cash Equivalents		3,547,345
Total Deposits and Investments	$	38,415,534

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

Investment Type		Fair Value
Cash and Cash Equivalents	$	571,724
Diversifying Funds		1,324,662
Fixed Income Funds		3,498,848
Equity Funds		10,573,264
Total	$	15,968,498

NOTE 3 - FAIR VALUE MEASUREMENTS

Short-Term Investment Fund - At year-end, all of the College's investments valued at $32,679,013 were held in the STIF. Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB 72. The College's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Component Unit – Investments of the College's discretely presented component unit, Guilford Technical Community College Foundation, Inc. include marketable securities, interests in partnerships, an interest in a

Qualified Opportunity Fund and a beneficial interest in a charitable remainder unitrust.

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based primarily on unobservable inputs and required that management make assumptions to value the assets.

Fair value for the Beneficial Interest in Remainder Unitrust (Level 3) is determined by estimated the present values of the future distributions expected to be received. Inputs include the June 30, 2021 value of the investments in the trust data from published life expectancy tables and the discount rate of 1.22% at June 30, 2021.

Fair value of assets measured on a recurring basis at June 30, 2021 were as follows:

	Fair Value	Level 1	Level 2	Level 3
Cash and Cash Equivalents	$ 571,724	$ 571,724	$ -	$ -
Diversifying Funds	1,324,662	1,324,662	-	-
Fixed Income Funds	3,498,848	3,498,848	-	-
Equity Funds	10,573,264	10,573,264	-	-
Interests in partnerships	1,333,807	-	-	1,333,807
Beneficial interest in CRT	122,566	-	-	122,566
Total	$ 17,424,871	$ 15,968,498	$ -	$ 1,456,373

NOTE 4 - RECEIVABLES

Receivables at June 30, 2021, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 255,201	$ 219,130	$ 36,071
Student Sponsors	72,583	-	72,583
Accounts	249,872	-	249,872
Intergovernmental	2,500	-	2,500
Other	1,302,373	1,919	1,300,454
Total Current Receivables	$1,882,529	$ 221,049	$ 1,661,480
Notes Receivable - Current:			
Institutional Student Loan Programs	$ 500	$ -	$ 500
Total Notes Receivable - Current	$ 500	$ -	$ 500

On September 13, 2020, the College fell victim to a ransomware attack. The College had insurance coverage for potential claims and to cover the cost of recovery. At June 30, 2021, the College had met its $50,000 deductible and was providing the insurance company with invoices associated with the attack.

As of June 30, 2021, the College has recorded a receivable related to the insurance claim in the amount of $1,217,764 for costs incurred as of fiscal year-end, in excess of our deductible.

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets, Nondepreciable:				
Land and Permanent Easements	$ 22,087,526	$ 106,000	$ -	$ 22,193,526
Construction in Progress	11,245,229	10,179,818	1,136,072	20,288,975
Total Capital Assets, Nondepreciable	33,332,755	10,285,818	1,136,072	42,482,501
Capital Assets, Depreciable:				
Buildings	232,598,653	920,757	-	233,519,410
Machinery and Equipment	46,957,362	1,896,108	560,938	48,292,532
General Infrastructure	24,253,105	109,315	-	24,362,420
Total Capital Assets, Depreciable	303,809,120	2,926,180	560,938	306,174,362
Less Accumulated Depreciation for:				
Buildings	57,732,312	4,619,979	-	62,352,291
Machinery and Equipment	17,572,265	1,917,628	369,590	19,120,303
General Infrastructure	5,067,067	424,097	-	5,491,164
Total Accumulated Depreciation	80,371,644	6,961,704	369,590	86,963,758
Total Capital Assets, Depreciable, Net	223,437,476	(4,035,524)	191,348	219,210,604
Capital Assets, Net	$ 256,770,231	$ 6,250,294	$ 1,327,420	$ 261,693,105

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 224,654
Accounts Payable - Capital Assets	477,067
Accrued Payroll	1,049,478
Contract Retainage	497,321
Other	62,047
Total Current Accounts Payable and Accrued Liabilities	$ 2,310,567

NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Current Portion
Long-Term Liabilities					
Compensated Absences	$ 2,172,554	$ -	$ 80,994	$ 2,091,560	$ 387,148
Net Pension Liability	23,382,672	3,319,750	-	26,702,422	-
Net Other Postemployment Benefit Liability	60,806,895	-	10,008,813	50,798,082	-
Total Long-Term Liabilities	$ 86,362,121	$ 3,319,750	$ 10,089,807	$ 79,592,064	$ 387,148

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 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2021:

Fiscal Year	Amount
2022	$ 698,919
2023	216,147
2024	209,161
2025	209,278
2026	212,516
2027-2031	217,916
2032-2036	184,638
2037-2041	30,367
2042-2046	35,204
Total Minimum Lease Payments	$ 2,014,146

Rental expense for all operating leases during the year was $724,292.

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	$	(15,974,785)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources*		(76,972,550)
Effect on Unrestricted Net Position		(92,947,335)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities		31,111,557
Total Unrestricted Net Position	$	(61,835,778)

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	Less Internal Sales Eliminations	Less Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees, Net	$ 17,934,611	$ -	$ 10,949,768	$ (124,247)	$ 7,109,090
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Dining	$ 52,524	$ -	$ -	$ -	$ 52,524
Bookstore	4,753,762	-	1,295,938	(909)	3,458,733
Other	420,403	180,337	-	268	239,798
Sales and Services of Education and Related Activities	192,452	-	-	-	192,452
Total Sales and Services, Net	$ 5,419,141	$ 180,337	$ 1,295,938	$ (641)	$ 3,943,507

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	Total
Instruction	$30,058,280	$ 4,214,000	$ -	$ -	$ -	$ 34,272,280
Academic Support	7,057,161	1,766,980	-	-	-	8,824,141
Student Services	4,743,153	2,324,064	-	-	-	7,067,217
Institutional Support	7,984,737	7,742,420	-	-	-	15,727,157
Operations and Maintenance of Plant	5,371,405	7,432,169	-	2,231,885	-	15,035,459
Student Financial Aid	-	-	21,404,392	-	-	21,404,392
Auxiliary Enterprises	794,939	4,604,154	-	-	-	5,399,093
Depreciation/ Amortization	-	-	-	-	6,961,703	6,961,703
Total Operating Expenses	$56,009,675	$ 28,083,787	$ 21,404,392	$2,231,885	$ 6,961,703	$114,691,442

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 $9,746,091 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 1N.

NOTE 12 - PENSION PLANS

Defined Benefit Plan

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

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2021 was 14.78% of covered payroll. Employee contributions to the pension plan were $2,266,035, and the College's contributions were $5,581,996 for the year ended June 30, 2021.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2020 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.osc.nc.gov/ or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

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

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment Portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment Portfolios. The Global Equity Asset Class includes the Equity Investment Portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2020 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2021, the College reported a liability of $26,702,422 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the College's proportion was 0.22101%, which was a decrease of 0.00454% from its proportion measured as of June 30, 2019, which was 0.22555%.

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

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

* Salary increases include 3.5% inflation and productivity factor.

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (the valuation 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 and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2020 is 1.2%.

Discount Rate: The discount rate used to measure the total pension liability was calculated at 7.00% for the December 31, 2019 valuation. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2020 calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$ 48,058,088	$ 26,702,422	$ 8,789,437

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2021, the College recognized pension expense of $7,506,326. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	$ 1,471,447	$ -
Changes of Assumptions	904,870	-
Net Difference Between Projected and Actual Earnings on Plan Investments	2,953,014	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	97,647	338,412
Contributions Subsequent to the Measurement Date	5,639,071	-
Total	$ 11,066,049	338,412

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

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

Year Ended June 30:	Amount
2022	$ 1,580,999
2023	1,419,102
2024	1,208,738
2025	879,727
2026	-
Total	$ 5,088,566

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

The College participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plans' assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2020 *Comprehensive Annual Financial Report.* An electronic version of this report is available on the North Carolina Office of the State Controller's website at https://www.osc.gov/ or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

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

Methods Used to Value Plan Investments: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2020 *Comprehensive Annual Financial Report.*

B. Plan Descriptions

1. Health Benefits

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

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

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

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 12. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan options or the self-funded Traditional 70/30 Preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

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

Section 35.21 (c) & (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in the Teachers' and State Employees' Retirement System (or in an allowed local system unit), the Consolidated Judicial Retirement System, or the Legislative Retirement System prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

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

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Bill. The College's contractually-required contribution rate for the year ended June 30, 2021 was 6.68% of covered payroll. The College's contributions to the RHBF were $2,522,850 for the year ended June 30, 2021.

2. Disability Income

Plan Administration: As discussed in Note 14, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer, defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units, LEAs which are not part of the reporting entity, and the 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 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 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 North Carolina General Assembly and coincide with the State's fiscal year. The College's contractually-required contribution rate for the year ended June 30, 2021 was 0.09% of covered payroll. The College's contributions to DIPNC were $33,991 for the year ended June 30, 2021.

C. Net OPEB Liability (Asset)

Net OPEB Liability: At June 30, 2021, the College reported a liability of $50,798,082 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. The College's proportion of the net OPEB liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the College's proportion was 0.18312%, which was a decrease of 0.00907% from its proportion measured as of June 30, 2019, which was 0.19219%.

Net OPEB Asset: At June 30, 2021, the College reported an asset of $92,470 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total OPEB liability to June 30, 2020. The College's proportion of the net OPEB asset was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2020, the College's proportion was 0.18797%, which was a decrease of 0.00546% from its proportion measured as of June 30, 2019, which was 0.19343%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2020 utilizing update procedures incorporating the actuarial assumptions.

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

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

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

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projects are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2020.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2020 (the valuation 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 and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2020 is 1.2%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

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

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the December 31, 2018 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2014, as amended for updates to certain assumptions (such as the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 2.21%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan’s fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.21% was used as the discount rate used to measure the total OPEB liability. The 2.21% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2020.

The discount rate used to measure the total OPEB liability for DIPNC was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Net OPEB Liability (Asset)	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
RHBF	$ 60,243,311	$ 50,798,082	$ 43,188,376
	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
DIPNC	$ (79,861)	$ (92,470)	$ (104,712)

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-prcentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

Net OPEB Liability (Asset)	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Med. Advantage - 4%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Med. Advantage - 5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Med. Advantage - 6%, Administrative - 4%)
RHBF	$ 40,952,439	$ 50,798,082	$ 63,958,110
	1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 8.5%, Administrative - 2%)	Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 9.5%, Administrative - 3%)	1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 10.5%, Administrative - 4%)
DIPNC	$ (92,622)	$ (92,470)	$ (92,337)

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

OPEB Plan	Amount
RHBF	$ (3,806,419)
DIPNC	78,377
Total OPEB Expense	$ (3,728,042)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 46,019	$ 66,987	$ 113,006
Changes of Assumptions	2,227,786	7,190	2,234,976
Net Difference Between Projected and Actual Earnings on Plan Investments	107,012	-	107,012
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	-	34,624	34,624
Contributions Subsequent to the Measurement Date	2,548,646	34,338	2,582,984
Total	$ 4,929,463	$ 143,139	$ 5,072,602

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

	RHBF	DIPNC	Total
Differences Between Actual and Expected Experience	$ 1,987,283	$ -	$ 1,987,283
Changes of Assumptions	20,614,664	7,282	20,621,946
Net Difference Between Projected and Actual Earnings on Plan Investments		15,665	15,665
Changes in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	8,622,176	-	8,622,176
Total	$ 31,224,123	$ 22,947	$ 31,247,070

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

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

Year Ended June 30:	RHBF	DIPNC
2022	$ (9,569,341)	$ 24,899
2023	(9,563,763)	18,611
2024	(4,918,351)	12,216
2025	(2,564,524)	16,289
2026	(2,227,327)	3,874
Thereafter	-	9,965
Total	$ (28,843,306)	$ 85,854

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. 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 contributions. Certain plans also require contributions from employees. The Plan has contracted with third parties to process claims. See Note 13, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

Short-term and long-term disability benefits are provided to College employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust

Funds. Short-term benefits are paid by the College up to the first six months of benefits and reimbursed by DIPNC for any additional short-term benefits. As discussed in Note 13, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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

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

2. Public Officers' and Employees' Liability Insurance

The risk of tort claims of up to $1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $2,000,000 per claim and $5,000,000 in the aggregate per fiscal year via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

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

The College also provides crime coverage of $300,000 with a $250 deductible for employee dishonesty on all employees, including county and institutional funds employees. Coverage for theft of money and securities by other than employee dishonesty is also provided up to $300,000 with a $250 deductible. The College also has a $2,000,000 annual aggregate error and omissions policy with a $10,000 deductible purchase from a private insurance company covering trustees, employees, volunteers, student teachers and interns.

4. **Statewide Workers' Compensation Program**

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

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

5. **Other Insurance Held by the College**

A. Cyber Liability

The College purchases Cyber Liability coverage from a private insurance company. In the event of a cyber-attack, the policy covers expenses up to a $5,000,000 limit with a $50,000 deductible, including event management, cyber extortion, and reputation guard.

B. Excess Liability Funds

The College is a participant in the Local Government Excess Liability Funds, Inc., (LGELF), a non-profit corporation established in 1986 to administer excess liability coverage for local governmental entities in Guilford County. Other member agencies include the cities of Greensboro and High Point and Guilford County Schools. There are currently eight separate funds established in LGELF. The College participates in two of these: Funds K and L. Fund K was established on January 1, 2000. The purpose of this fund is for self-funding liability exposures and for other risk-financing activities. Fund L was established January 1, 2000 and is the vehicle the college may use to cover certain uninsured and underinsured losses. The College's combined fund balance at June 30, 2021 is $2,603,157 (10.07% of the total fund balance). There is a documented process by which the college may withdraw up to its equity in both funds.

NOTE 15 - 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 $1,611,922 at June 30, 2021.

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) including funds allocated under the Strengthening Institutions Program (SIP) that allowed for recovery of lost revenue among other things.

This caption also includes pass-through grant funds from the Governors Emergency Education Relief (GEER) Fund.

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

Program	Total Authorized Award	2020 Earned Revenue	2021 Earned Revenue	2021 Unearned Revenue
State Aid - Coronavirus Relief Fund:				
Operating Funds	N/A	$ -	$ 3,330,078	$ -
Capital Funds	N/A	-	188,091	-
TotalState Aid - Coronavirus Funds	N/A	$ -	$ 3,518,169	$ -
Federal Aid - COVID-19:				
HEERF Funds	$52,073,000	$ 1,595,478	$ 15,016,660	$ 1,187,012
GEER Funds	424,290	-	117,329	-
Total Federal Aid - COVID-19	N/A	$ 1,595,478	$ 15,133,989	$ 1,187,012

NOTE 17 - RELATED PARTIES

The GHG Construction Corporation is a separately incorporated nonprofit corporation established to foster, promote, manage and develop the College's carpentry program. The records of the corporation are maintained separately by the College. GHG contracts with an independent accounting firm to audit financial records and prepare an Independent Auditor's Report. This report is provided to the College and to GHG Board members by the independent auditor.

NOTE 18 - BLENDED COMPONENT UNIT

Condensed combining information for the College's blended component unit(*s*) for the year ended June 30, 2021, is presented as follows:

Condensed Statement of Net Position
June 30, 2021

	College	GTCC Innovative Resources Corporation	Eliminations	Total
ASSETS				
Current Assets	$ 38,999,760	$ 1,182,746	$ (3,128)	$ 40,179,378
Capital Assets, Net	261,693,105	-	-	261,693,105
Other Noncurrent Assets	3,878,066	-	-	3,878,066
Total Assets	304,570,931	1,182,746	(3,128)	305,750,549
TOTAL DEFERRED OUTFLOWS OF RESOURCES	16,103,305	35,346	-	16,138,651
LIABILITIES				
Current Liabilities	4,786,171	98,977	(3,128)	4,882,020
Long-Term Liabilities	79,204,611	305	-	79,204,916
Total Liabilities	83,990,782	99,282	(3,128)	84,086,936
TOTAL DEFERRED INFLOWS OF RESOURCES	31,585,482	-	-	31,585,482
NET POSITION				
Net Investment in Capital Assets	261,693,105	-	-	261,693,105
Restricted - Expendable	6,295,496	63,959	-	6,359,455
Unrestricted	(62,890,629)	1,054,851	-	(61,835,778)
Total Net Position	$ 205,097,972	$ 1,118,810	$ -	$ 206,216,782

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2021

	College	GTCC Innovative Resources Corporation	Eliminations	Total
OPERATING REVENUES				
Student Tuition and Fees, Net	$ 7,109,090	$ -	$ -	$ 7,109,090
Sales and Services, Net	3,769,021	201,795	(27,309)	3,943,507
Other Operating Revenues	57,712	-	-	57,712
Total Operating Revenues	10,935,823	201,795	(27,309)	11,110,309
OPERATING EXPENSES				
Operating Expenses	107,497,871	260,301	(28,433)	107,729,739
Depreciation/Amortization	6,961,703	-	-	6,961,703
Total Operating Expenses	114,459,574	260,301	(28,433)	114,691,442
Operating Loss	(103,523,751)	(58,506)	1,124	(103,581,133)
NONOPERATING REVENUES (EXPENSES)				
State Aid	43,686,482	-	-	43,686,482
State Aid - Coronavirus Relief Fund	3,518,169	-	-	3,518,169
County Appropriations	17,100,000	-	-	17,100,000
Noncapital Grants - Student Financial Aid	23,340,215	-	-	23,340,215
Federal Aid - COVID-19	15,133,989	-	-	15,133,989
Noncapital Gifts, Net	2,373,043	1,124	(1,124)	2,373,043
Investment Income	153,574	68	-	153,642
Other Nonoperating Revenues (Expenses)	1,021,820	-	-	1,021,820
State Capital Aid	4,884,597	-	-	4,884,597
County Capital Aid	2,302,829	-	-	2,302,829
Capital Gifts, Net	266,753	-	-	266,753
Total Nonoperating Revenues	113,781,471	1,192	(1,124)	113,781,539
Increase (Decrease) in Net Position	10,257,720	(57,314)	-	10,200,406
NET POSITION				
Net Position, July 1, 2020	194,840,252	1,176,124	-	196,016,376
Net Position, June 30, 2021	$ 205,097,972	$ 1,118,810	$ -	$ 206,216,782

Condensed Statement of Cash Flows
June 30, 2021

	College	GTCC Innovative Resources Corporation	Eliminations	Total
Net Cash Provided (Used) by Operating Activities	$ (101,948,049)	$ 180,515	$ 1,124	$ (101,766,410)
Net Cash Provided (Used) by Noncapital Financing Activities	105,656,961	-	(1,124)	105,655,837
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,875,688)	-	-	(4,875,688)
Net Cash Provided (Used) by Investing Activities	153,574	68	-	153,642
Net Increase (Decrease) in Cash and Cash Equivalents	(1,013,202)	180,583	-	(832,619)
Cash and Cash Equivalents, July 1, 2020	38,075,298	1,172,855	-	39,248,153
Cash and Cash Equivalents, June 30, 2021	$ 37,062,096	$ 1,353,438	$ -	$ 38,415,534

NOTE 19 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2021, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 84, Fiduciary Activities

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for 90-days or less.

GASB Statement No. 97's primary objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

Guilford Technical Community College
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Eight Fiscal Years* — Exhibit C-1

Teachers' and State Employees' Retirement System	2021	2020	2019	2018
Proportionate Share Percentage of Collective Net Pension Liability	0.22101%	0.22555%	0.23460%	0.25643%
Proportionate Share of TSERS Collective Net Pension Liability	$ 26,702,422	$ 23,382,672	$ 23,356,985	$ 20,346,287
Covered Payroll	$ 38,153,387	$ 38,665,478	$ 38,288,929	$ 37,434,141
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	69.99%	60.47%	61.00%	54.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.98%	87.56%	87.61%	89.51%

	2017	2016	2015	2014
Proportionate Share Percentage of Collective Net Pension Liability	0.21524%	0.26684%	0.26936%	0.27340%
Proportionate Share of TSERS Collective Net Pension Liability	$ 23,091,551	$ 9,833,582	$ 3,158,033	$ 16,598,166
Covered Payroll	$ 38,523,074	$ 36,312,380	$ 37,618,950	$ 38,815,203
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	59.94%	27.08%	8.39%	42.76%
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.

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

Exhibit C-2

Teachers' and State Employees' Retirement System	2021	2020	2019	2018	2017
Contractually Required Contribution	$ 5,581,996	$ 5,013,562	$ 4,662,933	$ 4,006,607	$ 3,866,164
Contributions in Relation to the Contractually Determined Contribution	$ 5,581,996	$ 5,013,562	$ 4,662,933	$ 4,006,607	$ 3,866,164
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 37,767,223	$ 38,655,067	$ 37,940,868	$ 37,167,037	$ 38,739,119
Contributions as a Percentage of Covered Payroll	14.78%	12.97%	12.29%	10.78%	9.98%

	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 3,321,597	$ 3,424,535	$ 3,269,087	$ 3,233,306	$ 2,809,147
Contributions in Relation to the Contractually Determined Contribution	$ 3,321,597	$ 3,424,535	$ 3,269,087	$ 3,233,306	$ 2,809,147
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 36,301,610	$ 37,426,607	$ 37,618,950	$ 38,815,203	$ 37,757,353
Contributions as a Percentage of Covered Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

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

Guilford Technical Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2021

Changes of Benefit Terms:

Cost of Living Increase

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

Changes of Assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent Experience Review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Board of Trustees of the Teachers' and State Employees' Retirement System adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were reduced to more closely reflect actual experience. The discount rate for the Teachers' and State Employees' Retirement System was lowered from 7.20% to 7.00% for the December 31, 2017 valuation. For the December 31, 2019 valuation, the discount rate was 7.00%.

The Boards of Trustees also adopted a new asset valuation method for the Teachers' and State Employees' Retirement System. For determining plan funding requirements, the plan now uses a five-year smoothing method with a reset of the actuarial value of assets to market value as of December 31, 2014.

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

N/A - Not Applicable

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

Exhibit C-3

Retiree Health Benefit Fund	**2021**	**2020**	**2019**	**2018**	**2017**
Proportionate Share Percentage of Collective Net OPEB Liability	0.18312%	0.19219%	0.20493%	0.21158%	0.21879%
Proportionate Share of Collective Net OPEB Liability	$ 50,798,082	$ 60,806,895	$ 58,381,598	$ 69,371,212	$ 95,181,087
Covered Payroll	$ 38,153,387	$ 38,665,478	$ 38,288,929	$ 37,434,141	$ 38,523,074
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	133.14%	157.26%	152.48%	185.32%	247.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.92%	4.40%	4.40%	3.52%	2.41%
Disability Income Plan of North Carolina					
Proportionate Share Percentage of Collective Net OPEB Asset	0.18797%	0.19343%	0.20295%	0.22208%	0.22068%
Proportionate Share of Collective Net OPEB Asset	$ 92,470	$ 83,465	$ 61,648	$ 135,735	$ 137,042
Covered Payroll	$ 38,153,387	$ 38,665,478	$ 38,288,929	$ 37,434,141	$ 38,523,074
Proportionate Share of the Net OPEB Asset as a Percentage of Covered Payroll	0.24%	0.22%	0.16%	0.36%	0.36%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	113.00%	108.47%	116.23%	116.06%

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

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

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

Exhibit C-4

Retiree Health Benefit Fund	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually Required Contribution	$ 2,522,850	$ 2,500,983	$ 2,378,892	$ 2,248,606	$ 2,250,743
Contributions in Relation to the Contractually Determined Contribution	$ 2,522,850	$ 2,500,983	$ 2,378,892	$ 2,248,606	$ 2,250,743
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 37,767,223	$ 38,655,067	$ 37,940,868	$ 37,167,037	$ 38,739,119
Contributions as a Percentage of Covered Payroll	6.68%	6.47%	6.27%	6.05%	5.81%

	2016	**2015**	**2014**	**2013**	**2012**
Contractually Required Contribution	$ 2,032,890	$ 2,054,721	$ 2,031,423	$ 2,057,206	$ 1,887,868
Contributions in Relation to the Contractually Determined Contribution	$ 2,032,890	$ 2,054,721	$ 2,031,423	$ 2,057,206	$ 1,887,868
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 36,301,610	$ 37,426,607	$ 37,618,950	$ 38,815,203	$ 37,757,353
Contributions as a Percentage of Covered Payroll	5.60%	5.49%	5.40%	5.30%	5.00%

Disability Income Plan of North Carolina	**2021**	**2020**	**2019**	**2018**	**2017**
Contractually Required Contribution	$ 33,991	$ 38,655	$ 53,117	$ 52,034	$ 147,209
Contributions in Relation to the Contractually Determined Contribution	$ 33,991	$ 38,655	$ 53,117	$ 52,034	$ 147,209
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 37,767,223	$ 38,655,067	$ 37,940,868	$ 37,167,037	$ 38,739,119
Contributions as a Percentage of Covered Payroll	0.09%	0.10%	0.14%	0.14%	0.38%

	2016	**2015**	**2014**	**2013**	**2012**
Contractually Required Contribution	$ 148,837	$ 153,449	$ 165,523	$ 170,787	$ 196,338
Contributions in Relation to the Contractually Determined Contribution	148,837	153,449	165,523	170,787	196,338
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 36,301,610	$ 37,426,607	$ 37,618,950	$ 38,815,203	$ 37,757,353
Contributions as a Percentage of Covered Payroll	0.41%	0.41%	0.44%	0.44%	0.52%

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

Guilford Technical Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2021

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

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

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

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

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

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

Changes of Assumptions: In 2015, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2010, and December 31, 2014. Based on the findings, the Boards of Trustees of the Teachers' and State Employees' Retirement System and the State Health Plan adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvement projection scales to reflect reduced rates of mortality and significant increases in mortality improvements. These assumptions were adjusted to reflect the mortality projection scale MP-2015, released by the Society of Actuaries in 2015. In addition, the assumed rates of retirement and rates of termination from active employment were reduced to more closely reflect actual experience.

For the actuarial valuation measured as of June 30, 2020, the discount rate for the RHBF was updated to 2.21%. In the prior year, disability rates were adjusted to the non-grandfathered assumptions used in the Teachers' and State Employees' Retirement System actuarial valuation to better align with the anticipated incidence of disability. Medical and prescription drug claim costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment

LOVELL-SMIT & ASSOCIATES PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Trustees
Guilford Technical Community College
Jamestown, 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 Guilford Technical Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 18, 2022. The financial statements of Guilford Technical Community College Foundation, Inc. and GTCC Innovative Resources Corporation and Subsidiary were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with those entities.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Lovell-Smit & Associates PLLC

Charlotte, North Carolina
February 18, 2022

This audit required 342 audit hours at a cost of $37,000.