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GUILFORD TECHNICAL COMMUNITY COLLEGE

Jamestown, North Carolina

(A Component Unit of the State of North Carolina)

Financial Statement Audit Report
For the Year Ended June 30, 2025

GUILFORD TECHNICAL COMMUNITY COLLEGE
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INDEPENDENT AUDITORS' REPORT



SHARPE
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Guilford Technical Community College and the discretely presented component unit, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2026, on our consideration of Guilford Technical Community College’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Guilford Technical Community 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 Guilford Technical Community College’s internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina
March 19, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS



**GUILFORD TECHNICAL COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2025. 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 over 31,000 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 (GIRC) and its subsidiary GTCC Corporation for Creativity and Commerce (GC3) are legally separate, non-profit organizations 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:

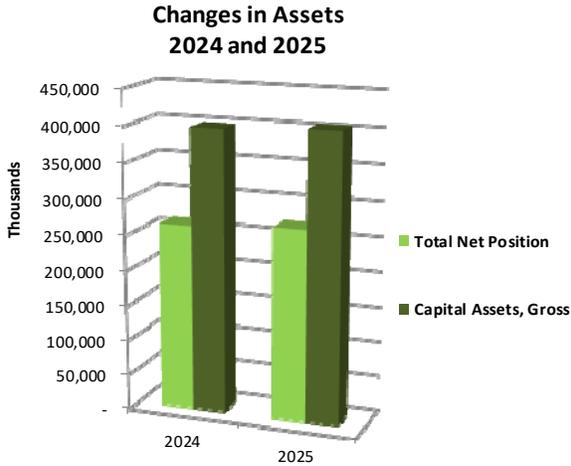
- the Statement of Net Position
- the Statement of Revenues, Expenses, and Changes in Net Position
- the Statement of Cash Flows.

These statements are prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management’s Discussion and*

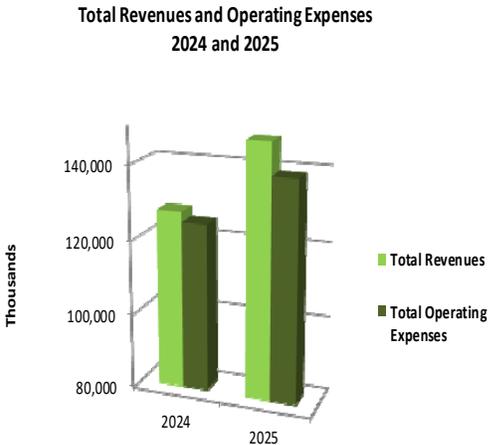
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

Analysis-for Public Colleges and Universities and present financial information in a form similar to that used by corporations.

FINANCIAL HIGHLIGHTS 2024 AND 2025



- The College’s total assets exceed total liabilities on June 30, 2025, by \$269,664,117 (total net position). This is an increase of \$8,101,406 in net position over the prior fiscal year.
- Capital assets before depreciation, increased \$6,938,751 to \$404,390,857 on June 30, 2025.



- Total revenues for the fiscal year ended June 30, 2025, were \$147,535,263, an increase of \$19,967,999. Operating Revenues increased \$312,352 to \$13,697,949 during the same period.
- Operating expenses on June 30, 2025, increased by \$13,883,596 from the prior year to \$138,682,009.

STATEMENT OF NET POSITION

The Statement of Net Position summarizes the financial position of the College as of June 30, 2025, 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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, net** represents the College's equity in property, plant and equipment owned by the College reduced by liabilities related to capital assets.
- **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, 2025, and June 30, 2024.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Condensed Statement of Net Position	FY 2025	FY 2024	Increase/(<Decrease>	
			Amount	Percent
Assets:				
Current Assets	\$ 46,807,634	\$ 43,947,713	\$ 2,859,921	6.5%
Noncurrent Assets:				
Capital Assets, Net	280,806,087	279,824,558	981,529	0.4%
Other	17,786,421	17,511,417	275,004	1.6%
Total Assets	345,400,142	341,283,688	4,116,454	1.2%
Deferred Outflows:				
Pensions	17,782,232	23,172,587	(5,390,355)	-23.3%
OPEB	19,992,893	10,860,444	9,132,449	84.1%
Total Deferred Outflows	37,775,125	34,033,031	3,742,094	11.0%
Liabilities:				
Current Liabilities	7,408,483	7,137,524	270,959	3.8%
Noncurrent Liabilities	95,959,312	89,475,558	6,483,754	7.2%
Total Liabilities	103,367,795	96,613,082	6,754,713	7.0%
Deferred Inflows:				
Pensions	160,731	398,023	(237,292)	-59.6%
OPEB	9,432,513	16,172,063	(6,739,550)	-41.7%
Leases	550,111	570,840	(20,729)	-3.6%
Total Deferred Inflows	10,143,355	17,140,926	(6,997,571)	-40.8%
Net Position:				
Investment in Capital Assets, net	277,924,978	274,289,838	3,635,140	1.3%
Restricted:				
Expendable	10,493,383	14,193,586	(3,700,203)	-26.1%
Unrestricted	(18,754,244)	(26,920,713)	8,166,469	-30.3%
Total Net Position	\$ 269,664,117	\$ 261,562,711	\$ 8,101,406	3.1%

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

- Total current assets on June 30, 2025, were \$46.8 million, an increase of \$2.9 million from the prior fiscal year. This was caused in part by a payment of \$1.1 million from the partial dissolution of the ELF Fund. The Campus Bookstore and Conference Center had increased income of \$0.3 million and \$0.2 million respectively. Additionally, there was an increase in funding from the state for several large construction projects totaling \$1.3 million.
- Total noncurrent assets grew from \$297.3 million to \$298.6 million, an increase of \$1.3 million.
- Total Deferred Outflows for FY25 increased by \$3.7 million. There were increases from changes in plan proportions, changes in plan assumptions and expected versus actual experience and other items totaling \$3.0 million made by the State's actuaries related to the Pension, Retiree Health, and Disability Income funds.
- Total current liabilities rose by \$0.3 million from FY24 to \$7.4 million. This increase is chiefly related to accrued liabilities associated with construction projects

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

totaling \$0.6 million and an increase in deferred revenues of \$0.4 million related to increased summer enrollment. There was a decrease in current liabilities associated with subscriptions of \$0.7 million related to a change in the threshold for subscription capitalization (See Capital Assets for more detail).

- Total noncurrent liabilities increased by \$6.5 million. The long-term portion of the liabilities for pensions and OPEB increased by \$8.7 million while the liabilities associated with lease and subscription liabilities dropped \$1.9 million of which \$0.5 million is related to the change in threshold for subscription capitalization (See Capital Assets for more detail).
- Total Deferred Inflows for FY25 are \$10.1 million, a decline of \$7 million. This reduction reflects changes in assumptions and proportions made by the State’s actuaries related to the Pension, Retiree Health, and Disability Income funds. The inflows associated with leases remained relatively flat.
- The total net position on June 30, 2025, was \$269.7 million. This is an \$8.1 million increase from June 30, 2024, net position of \$261.6 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 2025	FY 2024	Increase/(Decrease)	
			Amount	Percent
Land	\$ 22,264,255	\$ 22,264,255	\$ 0	0.0%
Construction in Progress	12,422,708	5,569,803	6,852,905	123.0%
Other Intangible Assets	2,291,695	2,291,695	0	0.0%
Buildings	259,697,506	258,389,658	1,307,848	0.5%
General Infrastructure	25,511,845	25,104,046	407,799	1.6%
Machinery and Equipment	74,161,727	73,636,764	524,963	0.7%
Right-to-Use Leased Assets - Buildings	3,709,354	3,521,121	188,233	5.3%
Right-to-Use Leased Assets - Machinery and Equip.	123,921	123,921	0	0.0%
Right-to-Use Subscription Assets	4,207,846	6,550,843	(2,342,997)	-35.8%
Total	404,390,857	397,452,106	6,938,751	1.7%
Less: Accumulated Depreciation/Amortization	123,584,770	117,627,548	5,957,222	5.1%
Capital Assets, net	\$ 280,806,087	\$ 279,824,558	\$ 981,529	0.4%

Capital assets are comprised of land, construction in progress (CIP), buildings (both owned and leased), infrastructure, equipment (both owned and leased), vehicles, parking areas and road systems. Prior to depreciation/amortization, capital assets grew \$6.9 million over the prior year. The increase is largely the result of a net change in construction in progress of \$6.9 million and buildings and infrastructure (after reclassing from CIP) of \$1.3 million. The large projects in construction were the renovation of Historic Machinery Hall for the new Cosmetology space (\$0.8 million), work on the new FAME space (\$2.7 million) and on aviation space (\$1.6 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

During FY25, the college changed its capitalization threshold for right-to-use subscription assets from \$100,000 to \$400,000 to match the threshold used by the State of NC. This resulted in a decrease in cost and accumulated amortization of \$2.3 million and \$1.1 million, respectively.

The College does not issue debt to fund capital assets other than leasing and subscription arrangements as required by GASB 87 and 96. 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, 2025, GTCC has future commitments for construction totaling \$3.4 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/amortization expense, which amortizes the cost of an asset over its expected useful life or the lease/subscription term whichever is lesser.

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

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

Condensed Statement of Revenues, Expenses and Net Position	FY 2025	FY 2024	Increase/<Decrease>	
			Amount	Percent
Operating Revenue				
Student Tuition and Fees, Net	\$ 7,110,494	\$ 7,268,835	\$ (158,341)	-2.2%
Sales and Services, Net	6,346,480	5,966,462	380,018	6.4%
Other Operating Revenues	240,975	150,300	90,675	60.3%
Total Operating Revenue *	13,697,949	13,385,597	312,352	2.3%
Operating Expenses				
Salaries and Benefits	79,966,052	71,465,929	8,500,123	11.9%
Supplies and Materials	12,019,578	9,871,741	2,147,837	21.8%
Services	10,585,905	13,946,695	(3,360,790)	-24.1%
Scholarships and Fellowships	20,928,532	14,511,218	6,417,314	44.2%
Utilities	3,119,302	2,793,948	325,354	11.6%
Depreciation/Amortization	12,062,640	12,208,882	(146,242)	-1.2%
Total Operating Expenses **	138,682,009	124,798,413	13,883,596	11.1%
Operating Loss	(124,984,060)	(111,412,816)	(13,571,244)	-12.2%
Nonoperating Revenues (Expenses)				
State Aid *	64,593,951	59,908,872	4,685,079	7.8%
County Appropriations *	19,028,000	18,607,500	420,500	2.3%
Noncapital Grants - Student Financial Aid *	36,593,873	27,579,764	9,014,109	32.7%
Noncapital Grants, Gifts and Interest *	5,739,818	6,403,294	(663,476)	-10.4%
Other Nonoperating Revenues *	(60,363)	(405,966)	345,603	85.1%
Other Nonoperating Expenses **	(751,848)	(445,207)	(306,641)	-68.9%
Net Nonoperating Revenues (Expenses)	125,143,431	111,648,257	13,495,174	12.1%
Income before other Revenues	159,371	235,441	(76,070)	-32.3%
State Capital Aid *	5,382,988	1,406,422	3,976,566	282.7%
County Capital Aid *	1,568,061	412,455	1,155,606	280.2%
Capital Grants and Gifts *	990,986	269,327	721,659	267.9%
Increase in Net Position	8,101,406	2,323,645	5,777,761	248.7%
Net Position, Beginning of Year	261,562,711	259,239,066	2,323,645	0.9%
Net Position, End of Year	\$ 269,664,117	\$ 261,562,711	\$ 8,101,406	3.1%

* Total Revenues equal \$147,535,263

**Total Expenses equal \$139,433,857

Revenues

Operating revenues increased overall by \$0.3 million from FY24 to FY25. Student tuition and fees remained relatively flat from FY24. Sales and services, net and other operating revenues were up marginally due to a one time true-up of vending commissions and payment plan setup and student insurance fee revenue.

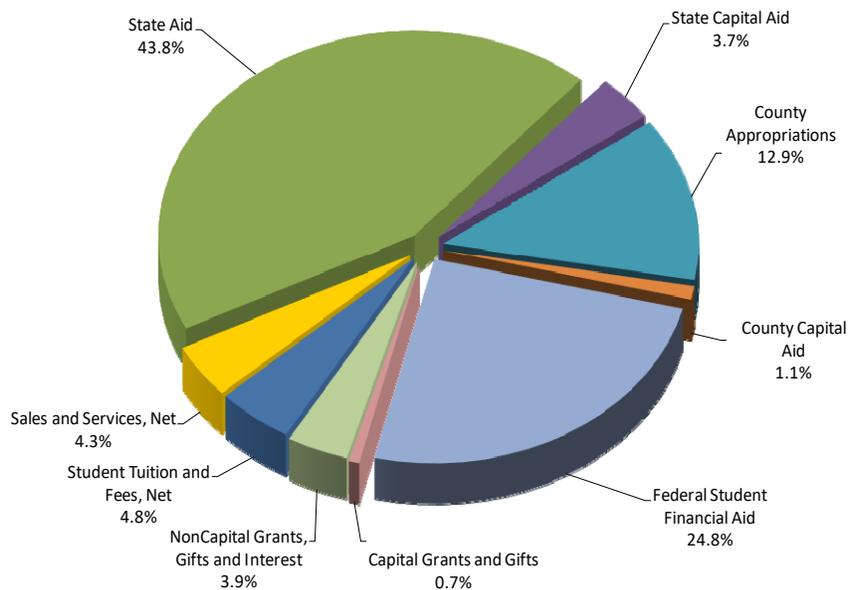
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net nonoperating revenues (expenses) grew by \$13.5 million in 2025 to \$125.1 million. There were increases in other nonoperating revenues for state and county aid totaling \$5.1 million. Student financial aid increased by \$9.0 million and other noncapital gifts, grants and interest decreased by \$0.7 million. State aid and student financial aid revenues increased due to the enrollment growth of the College.

Revenues attributed to capital increased from FY24 to FY25 by \$5.9 million. \$4.0 million was provided by the State for on-going projects such as FAME, Cosmetology and Aviation. County fund balance of \$1.2 million was used for County Capital expenditures. Capital grants and gifts rose by \$0.7 million related to funding from the funds provided by the GTCC Foundation for capital expenditures (\$0.2 million) and other funding related to Sonography and Truck Driving (\$0.5 million).

Overall, state aid (both appropriations and capital aid), net of tuition receipts collected, constituted 47.4% of the College's total revenues for FY25, a slight decrease from last year's rate of 48.0%.

Total Revenues FY 2025



Expenses

Operating expenses for FY25 increased by \$13.9 million overall to \$138.7 million.

Salaries and benefits grew by \$8.5 million from FY24 to \$80.0 million. The increase was caused by the increases in retirement and health insurance benefit costs totaling \$9.9 million.

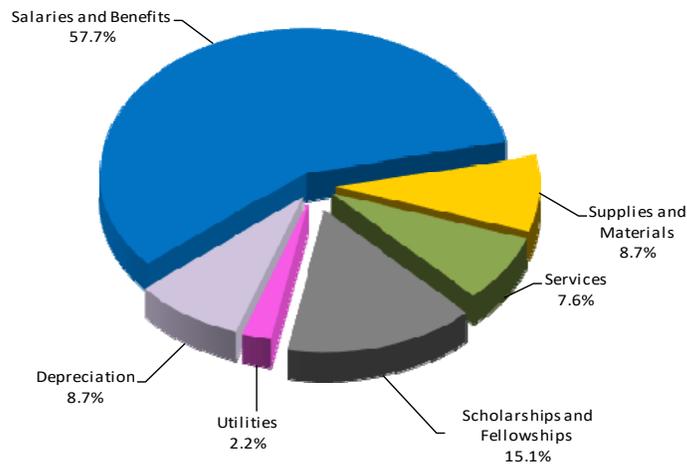
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Supplies, materials, and services expenditures decreased from FY24 by \$1.2 million. There were multiple factors that caused this net change. There were reduced expenditures for technology totaling \$0.5 million, an increase in technology expenses from the campus store sales of \$0.4 million, decreases in maintenance agreements of \$1.4 million and an increase in expenditures from subscriptions due to the capitalization threshold change totaling \$0.7 million.

Scholarships and fellowships increased \$6.4 million. This is predominately related to Pell grants as Congress changed the formula for calculating Pell by making it easier to qualify and to qualify for maximum benefits.

Utility Costs increased \$0.3 million as these costs continue to rise.

Operating Expenses FY 2025



Expenses by functional area show trends consistent with the College's focus on student success and employee retention initiatives:

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

Expenses by Functional Area	FY 2025	FY 2024	Increase/(Decrease)	
			Amount	Percent
Education and General				
Instruction	\$ 46,722,795	\$ 42,305,412	\$ 4,417,383	10.4%
Academic Support	10,336,005	8,496,323	1,839,682	21.7%
Student Services	9,564,539	8,251,408	1,313,131	15.9%
Institutional Support	16,079,768	16,577,628	(497,860)	-3.0%
Operations and Maintenance of Plant	14,918,693	14,041,743	876,950	6.2%
Student Financial Aid	20,928,532	14,511,218	6,417,314	44.2%
Total Educational and General	118,550,332	104,183,732	14,366,600	13.8%
Other Operating Expenses				
Auxiliary Enterprises	8,069,037	8,405,799	(336,762)	-4.0%
Depreciation/Amortization	12,062,640	12,208,882	(146,242)	-1.2%
Total Other Operating Expenses	20,131,677	20,614,681	(483,004)	-2.3%
Total Operating Expenses	\$ 138,682,009	\$ 124,798,413	\$ 13,883,596	11.1%

- All functional areas were impacted by salaries and benefits expenses associated with pensions/OPEB changes accounted for approximately \$9.9 million in salaries and benefits increased across all functional areas.
- Student Financial Aid increased \$6.4 million due to increased Pell grants given during FY25 related to increased enrollment activity and expanded eligibility as described earlier in this document.

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.

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

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

Condensed Statement of Cash Flows	FY 2025	FY 2024	Increase/<Decrease>	
			Amount	Percent
Cash Flows from Operating Activities	\$ (114,927,199)	\$ (102,281,174)	\$ (12,646,025)	12.4%
Cash Flows from Noncapital Financing Activities	123,610,330	110,340,211	13,270,119	12.0%
Cash Flows from Capital and Related Financing Activities	(7,974,290)	(12,927,342)	4,953,052	-38.3%
Cash Flows from Investing Activities	2,306,488	2,088,024	218,464	10.5%
Net increase (decrease) in cash and cash equivalents	3,015,329	(2,780,281)	5,795,610	-208.5%
Cash and cash equivalents, July 1	55,715,410	58,495,691	(2,780,281)	-4.8%
Cash and cash equivalents, June 30	\$ 58,730,739	\$ 55,715,410	\$ 3,015,329	5.4%

FACTORS IMPACTING FUTURE PERIODS

Guilford Technical Community College achieved significant milestones during the 2024-2025 fiscal year, with strong enrollment growth continuing to drive the College’s success. From the spring semester of 2024 to the spring semester of 2025, GTCC experienced an 11% increase in unduplicated headcount and a 10% increase in full-time equivalents (FTE). FTE represents the number of students enrolled on a full-time basis, defined as taking 12 or more credit hours. These gains reflect GTCC’s continued commitment to meeting the educational needs of the community. During this period, GTCC’s headcount topped 31,500 students, maintaining its position as the 3rd largest community college in North Carolina for the second year in a row. In terms of FTE, GTCC ranked 4th among the state’s 58 community colleges.

Nearly 1,800 students graduated during GTCC’s 59th commencement ceremony, with over 2,200 credentials conferred - a reflection to the College’s diverse programs and academic achievements of its students.

GTCC’s tradition of success in the state and national SkillsUSA competition continued during 2024-2025 with 31 students placing in the top 5. Among them, five students received second place awards, and eight students achieved first place honors across twelve areas of competition ranging from culinary arts to aviation. One of the aviation students went on to receive a silver medal at the national conference.

For the first time, GTCC students and faculty wrote, performed, recorded, mixed, and mastered a musical album titled “Community.” The album features thirteen tracks, all produced entirely by GTCC students and faculty.

In May 2025, GTCC recognized 51 students for academic and athletic achievements. The NJCAA Region 10 All-Academic Team named three students, and 19 received awards. GTCC Esports continued their strong performance in 2024-2025. The team was successful and competed at seven regional and four national playoffs progressing to the National Finals of Rainbow Six Siege placing 2nd in the nation for NJCAA. The Spring team participated in five regional and three national playoffs, placing 2nd in the National Finals in FC25.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

In addition to GTCC's student achievements, the College broke ground on a new \$35 million, 70,000 square foot aviation training facility on its Cameron Campus, located near the Piedmont Triad International Airport. This expansion supports the growing regional demand for a skilled aviation workforce. GTCC played a role in the selection of JetZero to expand into Guilford County. The company's manufacturing plant expects to bring approximately 15,000 jobs to the area. Plans are already underway to add a second building on the campus to support further expansion in aviation training. With the JetZero announcements adding to Boom Supersonic and Marshall Aerospace announcements, the demand for aviation jobs and the specialized training that GTCC provides is expected to remain strong into the future.

GTCC continues to expand its course offerings in several programs. In February 2025, GTCC opened a newly renovated 14,000 square foot Cosmetology facility, a \$2.0 million investment to enhance hands-on learning and support program growth. Since that opening, that program enrollment has increased by 36%, and two new certificate programs have been added. The College has also completed a new Medical Sonography space on the High Point Campus. Its first class started Fall 2025.

GTCC has entered into a new transfer agreement, 49erNext, with UNC Charlotte, offering a seamless pathway for students planning to continue their education at the university. In an effort to help recent Guilford County School graduates earn an in-demand credential by eliminating financial barriers, GTCC and Shift-Ed have partnered to form a Workforce Credentialing Pathway pilot program, Career Accelerator.

The GTCC Foundation had another successful year, exceeding its fundraising goals and strengthening relationships with donors. Increased giving and participation from existing supporters, along with new contributions, helped expand the Foundation's impact across the College. The primary areas of focus for the foundation continue to be Adult Education/Basic Skills, Workforce/Career and Technical Education, and Aviation programs. The College's Titan Link program is another beneficiary of funds received. Titan Link provides resources and information that assists with non-academic challenges such as housing, transportation, food insecurity, childcare, and emergency loans to students. As a part of this effort, Titan Link and the Out of the Garden Project remain partnered to provide fresh produce and meat at no charge to the community monthly. For 2024-2025, this effort served 1,227 families and distributed 56,587 pounds of food.

The Conference Center at GTCC also had another excellent year. They added 20 new clients and held over 230 meetings with more than 15,000 attendees. For the second consecutive year, the Conference Center generated gross revenue over \$1 million.

GTCC faces ongoing uncertainties related to funding from state, county, and federal sources.

As of September 2025, the NC General Assembly has not ratified a budget for the current fiscal year. Additionally, County funding continues to lag behind other community colleges in NC. As of 2023-2024 (most recent data available), the college received \$1,778 per FTE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

from Guilford County. This ranks the College 7th statewide in county funding per FTE. These funding limitations impact the College's ability to plan expansion, hire new employees, maintain facilities, and provide support services to students as needed.

The federal government's One Big Beautiful Bill (the Bill) is expected to have impacts on GTCC. Changes will begin impacting the College for the 2026-2027 school year. For the first time, the Bill creates eligibility for Workforce Pell grants to include students enrolling in job training programs lasting between 8 and 15 weeks, such as health care, IT, skilled trades, or other growing fields. To access these Workforce Pell funds, eligible students will be required to complete the Free Application for Federal Student Aid (FAFSA), similar to the process currently required for students in degree programs.

The Bill calls for institutional accountability with new earnings-based metrics. This measure follows in the footsteps of the "gainful employment" rule which was developed and reissued under prior administrations. Under the new guidelines, colleges and universities will no longer be allowed to award federal student loans for academic programs for which the median earnings of graduates from the program four years after completion are less than the median earnings of a working adult with a lesser or no credential. Programs failing to meet this criterion in two of three years will lose eligibility to participate in the Direct Loan Program, with an option to reapply after two years. This policy, while aiming to ensure accountability, may unintentionally penalize schools whose graduates choose essential, but historically lower-paying, careers in fields like education, non-profit work, or public service.

GTCC continues to face challenges in recruiting faculty for hard-to-fill positions. The difficulties are multifaceted, stemming from the need to find candidates with specialized skill sets in a highly competitive market, compounded by funding constraints and geographic limitations related to in-person instruction. This ongoing challenge is impacting the College's ability to maintain and expand certain academic programs.

Similar challenges exist affecting the recruitment of specialized administrative staff. These potential employees are being lured away from higher education by any number of industries that can offer more lucrative salaries, and flexible or remote work options. Faculty and staff vacancies continue to impact the College. These implications include (1) diminishing the agility and innovation that community colleges are known for (2) leading to a shortage of qualified faculty and subsequent scaling back of programs and (3) increasing workloads for employees, which can contribute to burnout and decreased job satisfaction.

The College must continue to adapt to evolving expectations, recruiting and retaining talented faculty and staff, and providing robust professional development opportunities. By executing these initiatives, GTCC is positioning itself for continued enrollment growth and improved student outcomes, while creating a strong institutional culture that can be the foundation of even greater opportunities to come. GTCC continues its commitment to Make Amazing Happen across all areas of the College and the community it serves.

BASIC FINANCIAL STATEMENTS

Guilford Technical Community College
Statement of Net Position
June 30, 2025

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 35,908,111
Restricted Cash and Cash Equivalents	5,766,800
Receivables, Net (Note 4)	2,080,433
Due from Community College Component Units	21,516
Inventories	759,240
Prepaid Items	2,213,042
Leases Receivable, Net (Note 8)	58,492
	<hr/>
Total Current Assets	46,807,634

Noncurrent Assets:

Restricted Cash and Cash Equivalents	17,055,828
Restricted Due from Primary Government	106,143
Leases Receivable, Net (Note 8)	563,632
Net Other Postemployment Benefits Asset	60,818
Capital Assets - Nondepreciable (Note 5)	36,978,658
Capital Assets - Depreciable, Net (Note 5)	243,827,429
	<hr/>
Total Noncurrent Assets	298,592,508

Total Assets	<hr/> <hr/> 345,400,142
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	17,782,232
Deferred Outflows Related to Other Postemployment Benefits (Note 13)	19,992,893
	<hr/>
Total Deferred Outflows of Resources	37,775,125

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	3,885,759
Unearned Revenue	1,547,463
Funds Held for Others	93,787
Long-Term Liabilities - Current Portion (Note 7)	1,881,474
	<hr/>
Total Current Liabilities	7,408,483

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	95,959,312
	<hr/>
Total Noncurrent Liabilities	95,959,312
	<hr/>
Total Liabilities	103,367,795

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	160,731
Deferred Inflows Related to Other Postemployment Benefits (Note 13)	9,432,513
Deferred Inflows for Leases	550,111
	<hr/>
Total Deferred Inflows of Resources	10,143,355

Guilford Technical Community College
Statement of Net Position
June 30, 2025

Exhibit A-1
Page 2 of 2

NET POSITION

Net Investment in Capital Assets	277,924,978
Restricted:	
Expendable:	
Student Financial Aid	1,915
Capital Projects	6,092,953
Other	4,398,515
	<hr/>
Total Restricted-Expendable Net Position	10,493,383
	<hr/>
Unrestricted	(18,754,244)
	<hr/>
Total Net Position	<u>\$ 269,664,117</u>

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, 2025**

Exhibit A-2

OPERATING REVENUES

Student Tuition and Fees, Net (Note 10)	\$ 7,110,494
Sales and Services, Net (Note 10)	6,346,480
Other Operating Revenues	240,975
	<hr/>
Total Operating Revenues	13,697,949
	<hr/>

OPERATING EXPENSES

Salaries and Benefits	79,966,052
Supplies and Services	22,605,483
Scholarships and Fellowships	20,928,532
Utilities	3,119,302
Depreciation/Amortization	12,062,640
	<hr/>
Total Operating Expenses	138,682,009
	<hr/>
Operating Loss	(124,984,060)
	<hr/>

NONOPERATING REVENUES (EXPENSES)

State Aid	64,593,951
County Appropriations	19,028,000
Student Financial Aid	36,593,873
Noncapital Contributions	3,425,304
Investment Income	2,306,488
Interest and Fees on Debt	(60,363)
Lease Interest Revenue	8,026
Other Nonoperating Revenues (Expenses)	(751,848)
	<hr/>
Net Nonoperating Revenues	125,143,431
	<hr/>
Income (Loss) Before Other Revenues	159,371
	<hr/>

State Capital Aid	5,382,988
County Capital Aid	1,568,061
Capital Contributions	990,986
	<hr/>
Total Other Revenues	7,942,035
	<hr/>
Increase (Decrease) in Net Position	8,101,406

NET POSITION

Net Position - July 1, 2024	261,562,711
	<hr/>
Net Position - June 30, 2025	\$ 269,664,117
	<hr/> <hr/>

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, 2025

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 13,907,030
Payments to Employees and Fringe Benefits	(81,863,172)
Payments to Vendors and Suppliers	(25,644,755)
Payments for Scholarships and Fellowships	(20,928,532)
Collection of Loans to Students	3,500
William D. Ford Direct Lending Receipts	20,496,525
William D. Ford Direct Lending Disbursements	(20,496,525)
Other Receipts (Payments)	(401,270)
	<hr/>
Net Cash Used by Operating Activities	(114,927,199)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid	64,593,951
County Appropriations	19,028,000
Student Financial Aid	36,593,873
Noncapital Contributions	3,394,506
	<hr/>
Net Cash Provided (Used) by Noncapital Financing Activities	123,610,330

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

State Capital Aid	5,450,575
County Capital Aid	1,527,585
Capital Contributions	751,095
Proceeds from Lease Arrangements	(2,117)
Acquisition and Construction of Capital Assets	(14,060,135)
Principal Paid on Capital Debt and Lease/Subsription Liabilities	(1,580,930)
Interest and Fees Paid on Capital Debt and Lease/Subsription Liabilities	(60,363)
	<hr/>
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	(7,974,290)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	2,306,488
	<hr/>
Net Cash Provided (Used) by Investing Activities	2,306,488
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	3,015,329
Cash and Cash Equivalents - July 1, 2024	55,715,410
	<hr/>
Cash and Cash Equivalents - June 30, 2025	\$ 58,730,739
	<hr/> <hr/>

Guilford Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (124,984,060)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	12,062,640
Lease revenue (amortized deferred inflow for leases)	0
Other Nonoperating Income (Expenses)	(42,991)
Changes in Assets and Deferred Outflows of Resources:	
Receivables, Net	(363,968)
Inventories	132,339
Prepaid items	143,960
Notes Receivable, Net	3,500
Beneficial Interest in Assets Held by Others	0
Net Other Postemployment Benefits Asset	(60,818)
Deferred Outflows Related to Asset Retirement Obligations	0
Deferred Outflows Related to Pensions	5,390,355
Deferred Outflows Related to Other Postemployment Benefits	(9,132,449)
Changes in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	123,474
Unearned Revenue	398,623
Funds Held for Others	(5,748)
Net Pension Liability	(3,943,240)
Net Other Postemployment Benefits Liability	12,663,638
Compensated Absences	(335,612)
Deferred Inflows Related to Pensions	(237,292)
Deferred Inflows Related to Other Postemployment Benefits	(6,739,550)
Net Cash Used by Operating Activities	<u><u>\$ (114,927,199)</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through the Assumption of a Liability	1,921,769
Assets Acquired through a Gift	239,892
Loss on Disposal of Capital Assets	(710,425)
Increase in Receivables Related to Nonoperating/Other Revenues	92,063
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(18,491)
Lease and SBITA Terminations	1,233,797

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, 2025

Exhibit B-1

	<u>Total</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 75,000
Accounts receivable	20,820
Promises to give due within one year	154,499
Investments - available for sale	18,599,874
Inventory	34,677
Prepaid expenses	4,199
Total Current Assets	<u>18,889,069</u>
Other Assets:	
Promises to give due after one year, less discounts of \$258,233	51,963
Investments - REIT interest	241,268
Land	1,800,457
Beneficial interest in charitable remainder trust	132,945
Total Other Assets	<u>2,226,633</u>
 Total Assets	 <u><u>\$ 21,115,702</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 19,900
Total Liabilities	<u>19,900</u>
NET ASSETS	
Without Donor Restrictions	10,233,625
With Donor Restrictions	10,862,177
Total Net Assets	<u>21,095,802</u>
 Total Liabilities and Net Assets	 <u><u>\$ 21,115,702</u></u>

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, 2025

Exhibit B-2

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions, net of discounts	\$ 85,890	\$ 757,924	\$ 843,814
Changes in beneficial interest in charitable remainder trust	-	22,717	22,717
Grants	-	296,968	296,968
Investment income, net	1,117,116	764,209	1,881,325
Miscellaneous income	138	4,664	4,802
Administrative services contributed by the College	285,541	-	285,541
Contributed materials and equipment	62,536	217,878	280,414
Total support and revenues	<u>1,551,221</u>	<u>2,064,360</u>	<u>3,615,581</u>
Net assets released from restrictions	<u>1,035,303</u>	<u>(1,035,303)</u>	<u>-</u>
Total support and revenues and net assets released from restrictions	<u>2,586,524</u>	<u>1,029,057</u>	<u>3,615,581</u>
 EXPENSES			
Program services	1,373,940	-	1,373,940
Management and general	633,263	-	633,263
Fundraising	48,737	-	48,737
Total expenses	<u>2,055,940</u>	<u>-</u>	<u>2,055,940</u>
Change in net assets	530,584	1,029,057	1,559,641
Transfers between funds	(56)	56	-
 NET ASSETS			
Net assets at beginning of year, as restated	<u>9,703,097</u>	<u>9,833,064</u>	<u>19,536,161</u>
Net assets at end of year	<u>\$ 10,233,625</u>	<u>\$ 10,862,177</u>	<u>\$ 21,095,802</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Guilford Technical Community College (College) is a component unit of the State of North Carolina and an integral part of the State's *Annual Comprehensive Financial Report*.

The accompanying financial statements present all funds of the College and its component units for which the College's Board of Trustees is financially accountable. The College's component units are 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 consolidated subsidiary GTCC Corporation for Creativity and Commerce (GC3) is reported as if it was part of the College. GIRC is governed by a five-member board consisting of two ex officio directors and three elected at-large 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 elected directors of GIRC and GIRC's sole purpose is to benefit Guilford Technical Community College and its foundation, its financial statements have been blended with those of the College.

During the year ended June 30, 2025, GIRC distributed \$24,200 to the College and \$36,299 to the GTCC Foundation for both restricted and unrestricted purposes. Separate financial statements for the Foundation may be obtained from the College Chief Financial Officer, PO Box 309, Jamestown, NC 27282 or at the following website:

<https://gtcc.edu/community-engagement/giving-to-gtcc/related-entities-financial-information.php>.

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

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 36 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, 2025, the Foundation distributed \$793,536 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from College Chief Financial Officer, PO Box 309, Jamestown, NC 27282 or at the following website:

<https://gtcc.edu/community-engagement/giving-to-gtcc/related-entities-financial-information.php>.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and GASB Statement No. 84, *Fiduciary Activities*, the full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.
- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

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

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, money market accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. The College's equity position in the STIF is recorded at fair value. Additional information regarding the fair value measurement of deposits held by the State Treasurer in the STIF is disclosed in Note 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 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. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year but are individually below the \$5,000 threshold are capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	10-100 years
Machinery and Equipment	2-30 years
General Infrastructure	10-75 years

Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease liabilities are capitalized as a right-to-use asset when the underlying leased asset has a cost of \$10,000 or greater and an estimated useful life of more than one year. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of \$400,000 or greater and an estimated useful life of more than one year.

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

- 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 principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt includes notes from direct borrowings and anticipation notes. Other long-term liabilities include lease liabilities, subscription liabilities, compensated absences, net pension liability, and net other postemployment benefits (OPEB) liability.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2024 *Annual Comprehensive Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 12 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the College's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2024 *Annual Comprehensive Financial Report*. This liability represents the College's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 13 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

- K. **Compensated Absences** – The College accrues a liability for earned leave that carries over to future periods and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. When determining the liability, leave is considered taken on a last in, first out (LIFO) basis.

Vacation Leave – Leave policies vary by employee group. For employees exempt from the State Human Resource Act, vacation is earned through the annual or personal leave programs established by the State Board of Community Colleges. Leave is earned monthly and is subject to a maximum accumulated unused amount as of the end of each calendar year. The maximum amounts and the ability to convert amounts over the maximum to sick leave vary based on the program.

Bonus Leave – 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 bonus leave balance on June 30 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

Sick Leave – Sick leave is earned monthly by eligible employees. The policy provides for the accumulation of unused sick leave to be carried forward until used. When employment is

terminated, unused leave is forfeited or used to increase a member's creditable service for employees participating in the North Carolina Teachers' and State Employees' Retirement System (TSERS). Based on a historical analysis of sick leave taken compared to sick leave earned, the liability for unused sick leave using the LIFO method was determined to be insignificant. Therefore, no sick leave liability is recognized on the financial statements.

L. Deferred Outflows/Inflows of Resources - Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

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, net of outstanding liabilities related to those capital assets. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

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 auxiliary service 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 postal services and college printing/supplies. 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 \$7,133, and deposits in private financial institutions with a carrying value of \$6,460,494 and a bank balance of \$9,210,653.

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, 2025, 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, 2025, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$52,263,112, 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 2.1 years as of June 30, 2025. 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, 2025, is as follows:

Type of Cash Holding	Amount
Cash on Hand	\$ 7,133
Carrying Amount of Deposits with Private Financial Institutions	6,460,494
Investments in the Short-Term Investment Fund	<u>52,263,112</u>
Total Deposits and Investments	\$ <u>58,730,739</u>

Classification of Cash	Amount
Deposits	
Current:	
Cash and Cash Equivalents	\$ 35,908,111
Restricted Cash and Cash Equivalents	5,766,800
Noncurrent:	
Restricted Cash and Cash Equivalents	<u>17,055,828</u>
Total Deposits and Investments	\$ <u>58,730,739</u>

Component Unit – Investment 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	\$ 362,259
Exchange-traded funds	459,568
Mutual funds	16,318,581
Alternative mutual funds	<u>1,459,466</u>
	\$ <u>18,599,874</u>

Note 3 - Fair Value Measurements

Short-Term Investment Fund - At year-end, all of the College’s investments valued at \$52,263,112 were held in the STIF. Ownership interests of the STIF are determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The College’s position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Component Unit – Investments of the College’s discretely presented component unit, Guilford Technical Community College Foundation, Inc. include marketable securities, an interest in a Qualified Opportunity Zone 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 quote prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based primarily on unobservable inputs and require that management make assumptions to value the assets.

Fair value for the Beneficial Interest in Remainder Unitrust (Level 3) is determined by estimating the present values of the future distributions expected to be received. Inputs include the value of the investment in the trust data from published life expectancy tables and the discount rate of 5.03% at December 31, 2024. Data for June 30, 2025 is unavailable. It is estimated that any change in this trust valuation would be immaterial.

The following table sets forth the level within the fair value hierarchy, for the Foundation’s investment at fair value as of June 30, 2025:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 362,259	\$ 362,259	\$ -	\$ -
Exchange Traded Funds	459,568	459,568		
Mutual Funds	16,318,581	16,318,581		
Alternative Mutual Funds	1,459,466	1,459,466		
Grubb QOF REIT	241,268			241,268
Beneficial interest in CRT	132,945			132,945
	<u>\$ 18,974,087</u>	<u>\$ 18,599,874</u>	<u>\$ -</u>	<u>\$ 374,213</u>

Note 4 - Receivables

Receivables at June 30, 2025, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 1,457,480	\$ 430,320	\$ 1,027,160
Student Sponsors	103,409	393	103,016
Accounts	170,418	-	170,418
Intergovernmental	138,565	-	138,565
Other	645,946	4,672	641,274
Total Current Receivables	<u>\$ 2,515,818</u>	<u>\$ 435,385</u>	<u>\$ 2,080,433</u>

Note 5 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2025, is presented as follows:

	Balance July 1, 2025	Increases	Decreases	Balance June 30, 2025
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 22,264,255	\$ -	\$ -	\$ 22,264,255
Construction in Progress	5,569,803	8,568,552	1,715,647	12,422,708
Other - Educational Broadband Spectrum	2,291,695	-	-	2,291,695
Total Capital Assets, Nondepreciable	30,125,753	8,568,552	1,715,647	36,978,658
Capital Assets, Depreciable:				
Buildings	258,389,658	1,307,848	-	259,697,506
Machinery and Equipment	73,636,764	6,242,428	5,717,465	74,161,727
General Infrastructure	25,104,046	407,799	-	25,511,845
Right-to-Use Leased Buildings	3,521,121	188,233	-	3,709,354
Right-to-Use Leased Machinery and Equipment	123,921	-	-	123,921
Right-to-Use Subscription Assets	6,550,843	-	2,342,997	4,207,846
Total Capital Assets, Depreciable	367,326,353	8,146,308	8,060,462	367,412,199
Less Accumulated Depreciation/Amortization for:				
Buildings	77,212,383	5,040,075	-	82,252,458
Machinery and Equipment	28,898,628	4,909,819	5,007,040	28,801,407
General Infrastructure	6,789,124	441,263	-	7,230,387
Right-to-Use Leased Buildings	1,807,984	637,072	-	2,445,056
Right-to-Use Leased Machinery and Equipment	63,373	24,784	-	88,157
Right-to-Use Subscription Assets	2,856,056	1,009,627	1,098,378	2,767,305
Total Accumulated Depreciation/Amortization	117,627,548	12,062,640	6,105,418	123,584,770
Total Capital Assets, Depreciable, Net	249,698,805	(3,916,332)	1,955,044	243,827,429
Capital Assets, Net	\$ 279,824,558	\$ 4,652,220	\$ 3,670,691	\$ 280,806,087

As of June 30, 2025, the total amount of right-to-use leased and subscription assets was \$3,833,275 and \$4,207,846, and the related accumulated amortization was \$2,533,214 and \$2,767,305, respectively.

The College has capitalized as a nondepreciable intangible asset the value of the Educational Broadband Spectrum license it holds with the FCC. The College received a valuation performed by a third party and adjusted the valuation for the other known factors and capitalized the license at \$2,291,695.

Note 6 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2025, were as follows:

	<u>Amount</u>
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 288,171
Accounts Payable - Capital Assets	1,841,049
Accrued Payroll	1,438,008
Contract Retainage	245,703
Other	<u>72,828</u>
Total Current Accounts Payable and Accrued Liabilities	<u>\$ 3,885,759</u>

Note 7 - Long-Term Liabilities

A summary of changes in the long-term liabilities for the year ended June 30, 2025, is presented as follows:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Current Portion
Lease Liabilities	\$ 1,788,821	\$ 188,233	\$ 654,281	\$ 1,322,773	\$ 666,395
Subscription (SBITA) Liabilities	3,689,523	-	2,160,446	1,529,077	854,518
Compensated Absences	2,230,210	14,283	349,895	1,894,598	360,561
Net Pension Liability	36,259,896	-	3,943,240	32,316,656	-
Net Other Postemployment Benefits Liability	48,132,535	12,645,147	-	60,777,682	-
Total Long-Term Liabilities	<u>\$ 92,100,985</u>	<u>\$ 12,847,663</u>	<u>\$ 7,107,862</u>	<u>\$ 97,840,786</u>	<u>\$ 1,881,474</u>

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 8.

Additional information regarding the net pension liability is included in Note 12.

Additional information regarding the net other postemployment benefits liability is included in Note 13.

Note 8 - Leases and Subscription-Based Information Technology Arrangements

A. Lessor Arrangements - The College leases office space and land to external parties. The leases expire at various dates, and some have renewal options. Lease receivables and related deferred inflows of resources are recorded based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate stated per the lease contract, or the College's estimated incremental borrowing rate if there is no stated contractual interest rate.

During the year ended June 30, 2025, the College recognized operating revenues related to lessor arrangements totaling \$60,010, and nonoperating lease interest income totaling \$8,026.

The College's lessor arrangements at June 30, 2025, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Receivable June 30, 2025	Current Portion	Lease Terms	Interest Rate
Lessor:					
Land	1	\$ 598,386	\$ 34,754	12.23 yrs	1.24%
Buildings	1	23,738	23,738	0.59 yrs	2.93%
Total	2	\$ 622,124	\$ 58,492		

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

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

The College's lessee arrangements at June 30, 2025, are summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2025	Current Portion	Lease Terms ⁽¹⁾	Interest Rate/ Ranges
Lessee:					
Right-to-Use Leased Buildings	5	\$ 1,285,469	\$ 640,984	4.12 yrs	0.53% - 3.00%
Right-to-Use Leased Machinery and Equipment	2	37,304	25,411	1.62 yrs	0.53% - 3.16%
Total	7	\$ 1,322,773	\$ 666,395		

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

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

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

The College’s SBITAs at June 30, 2025, are summarized below (excluding short-term SBITAs):

SBITA	Number of SBITAs	Subscription Liabilities (SBITA) June 30, 2025	Current Portion	SBITA Terms and Conditions	Interest Rate/ Ranges
Right-to-Use Subscription Assets	6	\$ 1,529,077	\$ 854,518	3.13 - 5.07 yrs	2.11% - 3.45%

D. Annual Requirements - The annual requirements to pay principal and interest on leases and SBITAs at June 30, 2025, are as follows:

Fiscal Year	Annual Requirements			
	Lease Liabilities		SBITA Liabilities	
	Principal	Interest	Principal	Interest
2026	\$ 666,395	\$ 11,728	\$ 854,518	\$ 35,647
2027	294,258	7,097	593,361	17,096
2028	72,819	4,994	81,198	2,802
2029	72,596	3,420	-	-
2030	33,147	2,380	-	-
2031-2035	171,742	5,903	-	-
2036-2040	11,816	29	-	-
2041-2045	-	-	-	-
Total Requirements	\$ 1,322,773	\$ 35,551	\$ 1,529,077	\$ 55,545

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	\$ (14,695,155)
Net OPEB Liability (Retiree Health Benefit Fund) and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(50,217,302)
Effect on Unrestricted Net Position	(64,912,457)
Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	46,158,213
Total Unrestricted Net Position	\$ (18,754,244)

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 Scholarship Discounts and Allowances	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees, Net	\$ 23,614,975	\$ 16,544,385	\$ (39,904)	\$7,110,494
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	172,710	-	-	172,710
Bookstore	6,347,843	1,520,455	-	4,827,388
Other	1,163,750	839,539	(1,029)	325,240
Sales and Services of Education and Related Activities				
	1,021,142	-	-	1,021,142
Total Sales and Services, Net	\$ 8,705,445	\$ 2,359,994	\$ (1,029)	\$6,346,480

Note 11 - Operating Expenses by Function

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

	Salaries and Benefits	Supplies and Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	\$ 42,591,689	\$ 4,131,106	\$ -	\$ -	\$ -	\$ 46,722,795
Academic Support	8,870,077	1,465,928	-	-	-	10,336,005
Student Services	8,327,601	1,236,938	-	-	-	9,564,539
Institutional Support	11,285,639	4,794,129	-	-	-	16,079,768
Operations and Maintenance of Plant	7,878,133	3,921,258	-	3,119,302	-	14,918,693
Student Financial Aid	-	-	20,928,532	-	-	20,928,532
Auxiliary Enterprises	1,012,913	7,056,124	-	-	-	8,069,037
Depreciation/Amortization	-	-	-	-	12,062,640	12,062,640
Total Operating Expenses	\$ 79,966,052	\$ 22,605,483	\$ 20,928,532	\$ 3,119,302	\$ 12,062,640	\$ 138,682,009

Note 12 - Retirement 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, LEAs, and certain proprietary component units along with charter schools that elect to join the Retirement System. Effective January 1, 2024, new employees hired by UNC Health Care or by certain components of East Carolina University, who were not actively contributing to TSERS immediately before they were hired by those entities, are

not eligible to join TSERS. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

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

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The College's contractually-required contribution rate for the year ended June 30, 2025 was 16.79% of covered payroll. Plan members' contributions to the pension plan were \$2,931,212, and the College's contributions were \$8,202,500 for the year ended June 30, 2025.

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 2024 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.ncosc.gov/> or by calling the State Controller's Financial Reporting Section at 919-707-0500.

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

and additions to/deductions from the TSERS plan’s fiduciary net position have been determined on the same basis as they are reported by TSERS.

Methods Used to Value TSERS Investment: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The investment balance of each pension trust fund represents its share of the fair value of the net position of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2024 *Annual Comprehensive Financial Report*.

Net Pension Liability: At June 30, 2025, the College reported a liability of \$32,316,656 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total pension liability to June 30, 2024. The College’s proportion of the net pension liability was based on a projection of the present value of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the College’s proportion was 0.21881%, which was increase of 0.00062% from its proportion measured as of June 30, 2023, which was 0.21749%.

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	12/31/2023
Inflation	2.5%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.5%

* Salary increases include 3.25% inflation and productivity

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

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

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

investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 (the measurement date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

Discount Rate: The discount rate used to measure the total pension liability was 6.5% for the December 31, 2023 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2024 calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

Net Pension Liability		
Current		
1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
\$ 59,281,322	\$ 32,316,656	\$ 10,080,337

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2025, the College recognized pension expense of \$9,600,309. At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Actual and Expected Experience	\$ 2,912,292	\$ 95,532
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,328,864	-
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,285,154	65,199
Contributions Subsequent to the Measurement Date	<u>8,255,922</u>	<u>-</u>
Total	<u>\$ 17,782,232</u>	<u>\$ 160,731</u>

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

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

<u>Year Ending June 30:</u>	<u>Amount</u>
2026	\$ 3,016,024
2027	7,057,785
2028	(137,815)
2029	(570,416)
2030	<u>-</u>
Total	<u>\$ 9,365,578</u>

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 2024 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.ncosc.gov/> or by calling the State Controller's Financial Reporting Section at 919-707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters

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

Methods Used to Value Plan Investments: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefit funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2024 *Annual Comprehensive Financial Report*.

B. Plan Descriptions**1. Health Benefits**

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

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and

disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

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

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 14. The plan options change when the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

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

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

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

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Act. The College's contractually-required contribution rate for the year ended June 30, 2025 was 6.99% of covered payroll. The College's contributions to the RHBF were \$3,414,859 for the year ended June 30, 2025.

In fiscal year 2023, the Plan transferred \$35 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2025, the College recognized noncapital contributions for RHBF of \$18,491.

2. Disability Income

Plan Administration: As discussed in Note 14, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and LEAs which are not part of the State's reporting entity, and the University Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the University Employees' ORP, earned within 96 months prior to becoming disabled or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments

cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general employee is eligible to receive an unreduced retirement benefit from TSERS after: (1) reaching the age of 65 and completing five years of membership service; (2) reaching the age of 60 and completing 25 years of creditable service; or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employees' ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security disability benefits.

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the North Carolina General Assembly and coincide with the State's fiscal year. The College's contractually-required contribution rate for the year ended June 30, 2025 was 0.13% of

covered payroll. The College's contributions to DIPNC were \$63,510 for the year ended June 30, 2025.

C. Net OPEB Liability (Asset)

Retiree Health Benefit Fund: At June 30, 2025, the College reported a liability of \$60,777,682 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability to June 30, 2024. The College's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the College's proportion was 0.17869%, which was a decrease of 0.00175% from its proportion measured as of June 30, 2023, which was 0.18044%.

Disability Income Plan of North Carolina: At June 30, 2025, the College reported an asset of \$60,818 for its proportionate share of the collective net OPEB asset for DIPNC. The net OPEB asset was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023, and update procedures were used to roll forward the total OPEB liability to June 30, 2024. The College's proportion of the net OPEB asset was based on a projection of the present value of future salaries for the College relative to the projected present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the College's proportion was 0.18471%, which was an increase of 0.00008% from its proportion measured as of June 30, 2023, which was 0.18463%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC were determined by actuarial valuations as of December 31, 2023, 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, 2024 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2023	12/31/2023
Inflation	2.5%	2.5%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.5%	3.0%
Healthcare Cost Trend Rate - Medical***	6.5% grading down to 5% by 2030	N/A
Healthcare Cost Trend Rate - Prescription Drug***	10% grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	7% through 2030 grading down to 5% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	Premium adjustments for IRA impact through 2027, 6.17% in 2028 down to 5% by 2034	N/A
Healthcare Cost Trend Rate - Administrative***	3.0%	N/A

* Salary increases include 3.25% inflation and productivity factor.

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

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

N/A - Not Applicable

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2024.

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2024 (the measurement date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Opportunistic Fixed Income	5.3%
Inflation Sensitive	4.3%

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm. The long-term nominal rates of return underlying the real rates of return are arithmetic annual figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages for public markets. All rates of return and inflation are annual amounts. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

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

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

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

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

The actuarial assumptions used in the December 31, 2023 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as medical claims and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.93% at June 30, 2024 compared to 3.65% at June 30, 2023. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan’s fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 3.93% was used as the discount rate used to measure the total OPEB liability. The 3.93% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

The discount rate used to measure the total OPEB liability for DIPNC was 3.00% at June 30, 2024 and at June 30, 2023. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members.

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 each 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)			
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(2.93%)</u>	<u>(3.93%)</u>	<u>(4.93%)</u>
RHBF	\$ 72,488,405	\$ 60,777,682	\$ 51,518,470
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(2.00%)</u>	<u>(3.00%)</u>	<u>(4.00%)</u>
DIPNC	\$ (54,229)	\$ (60,818)	\$ (67,743)

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

Net OPEB Liability					
1% Decrease (Medical - 4% - 5.5%, Pharmacy - 4% - 9%, Pharmacy Rebate - 4% - 6%, Med. Advantage - 4% - 5.17%, Administrative - 2%)		Current Healthcare Cost Trend Rates (Medical - 5% - 6.5%, Pharmacy - 5% - 10%, Pharmacy Rebate - 5% - 7%, Med. Advantage - 5% - 6.17%, Administrative - 3%)		1% Increase (Medical - 6% - 7.5%, Pharmacy - 6% - 11%, Pharmacy Rebate - 6% - 8%, Med. Advantage - 6% - 7.17%, Administrative - 4%)	
RHBF	\$ 50,167,614	\$	60,777,682	\$	74,515,655

The sensitivity to changes in the healthcare cost trend rates is not applicable for DIPNC.

OPEB Expense: For the fiscal year ended June 30, 2025, the College recognized OPEB expense as follows:

<u>OPEB Plan</u>	<u>Amount</u>
RHBF	\$ 232,633
DIPNC	44,319
Total OPEB Expense	\$ 276,952

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2025, 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:			
	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 495,374	\$ 24,518	\$ 519,892
Changes of Assumptions	14,637,747	907	14,638,654
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	260,442	47,746	308,188
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	1,003,096	22,041	1,025,137
Contributions Subsequent to the Measurement Date	3,437,099	63,923	3,501,022
Total	\$ 19,833,758	\$ 159,135	\$ 19,992,893

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

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ -	\$ 69,953	\$ 69,953
Changes of Assumptions	7,924,169	28,335	7,952,504
Change in Proportion and Differences Between Employer's Contributions and Proportionate Share of Contributions	<u>1,410,056</u>	<u>-</u>	<u>1,410,056</u>
Total	<u><u>\$ 9,334,225</u></u>	<u><u>\$ 98,288</u></u>	<u><u>\$ 9,432,513</u></u>

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability related to RHBF and an increase of the net OPEB asset related to DIPNC in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

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

<u>Year Ending June 30:</u>	<u>RHBF</u>	<u>DIPNC</u>
2026	\$ (948,622)	\$ (15,062)
2027	1,264,921	(9,213)
2028	3,880,355	13,054
2029	2,865,780	5,388
2030	-	2,756
Thereafter	<u>-</u>	<u>1</u>
Total	<u><u>\$ 7,062,434</u></u>	<u><u>\$ (3,076)</u></u>

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 and employee contributions. The Plan has contracted with third parties to process claims. See Note 13, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina

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

3. Disability Income Plan

Short-term and long-term disability benefits are provided to College employees through the Disability Income Plan of North Carolina (DIPNC), part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the College for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 13, long-term disability benefits are payable as other postemployment 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**

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the Office of State Fire Marshal within 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 Office of State Fire Marshal for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

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.

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 private insurance companies. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud

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

The College also provides crime coverage of \$300,000 with a \$3,000 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 \$2,500 deductible. The College also has a \$2,000,000 annual aggregate error and omissions policy with \$10,000 deductible purchased 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 *Annual Comprehensive 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 \$3,000,000 limit with a \$200,000 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 were seven separate funds established in LGELF. The College participated 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. Effective July 1, 2023, the member's balances in each of their funds were combined into one fund per member. The combined fund will provide the same coverage as Funds K and L. The College's combined fund balance at June 30, 2025 is \$1,299,220 (11% of the total fund balance). There is a documented process by which the college may withdraw up to its equity from the fund. On July 6, 2023, the LGELF Board voted to dissolve Local Government Excess Liability Funds, Inc. To minimize losses, the LGELF Board decided to implement a "run off" and orderly exit for the Fund in accordance with the current schedule of investment maturities. Each member will receive their pro-rata share as the investments mature. During the fiscal year, the College received two distributions totaling \$1,015,108 as a part of this dissolution. The last scheduled investment maturity date is set for February 2026.

Note 15 - Commitments and Contingencies

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$3,413,035 at June 30, 2025.

Note 16 - Related Parties

Foundation - The Guilford Technical Community College Foundation, Inc. is a separately incorporated, nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net position, or operational transactions of the Foundation, except for support from the Foundation. This support approximated \$793,536 for the year ended June 30, 2025. The College had receivables from the related party of \$21,516 as of June 30, 2025.

GHG Construction Corporation - GHG Construction Corporation has been a related party of the College in prior years. However, as of June 30, 2025, the college is no longer affiliated with GHG Construction Corporation.

Note 17 - Blended Component Unit

Condensed combining information for the College's blended component unit(s) for the year ended June 30, 2025, is presented as follows:

**Condensed Statement of Net Position
June 30, 2025**

	GTCC Innovative Resources Corp and			Total
	College	Subsidiary	Eliminations	
ASSETS				
Current Assets	\$ 45,173,360	\$ 1,635,082	\$ (808)	\$ 46,807,634
Capital Assets, Net	280,806,087	-	-	280,806,087
Other Noncurrent Assets	17,786,421	-	-	17,786,421
Total Assets	<u>343,765,868</u>	<u>1,635,082</u>	<u>(808)</u>	<u>345,400,142</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>37,775,125</u>	<u>-</u>	<u>-</u>	<u>37,775,125</u>
LIABILITIES				
Current Liabilities	7,302,778	102,299	3,406	7,408,483
Long-Term Liabilities	95,959,312	-	-	95,959,312
Total Liabilities	<u>103,262,090</u>	<u>102,299</u>	<u>3,406</u>	<u>103,367,795</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>10,143,355</u>	<u>-</u>	<u>-</u>	<u>10,143,355</u>
NET POSITION				
Net Investment in Capital Assets	277,924,978	-	-	277,924,978
Restricted - Expendable	10,493,383	-	-	10,493,383
Unrestricted	<u>(20,284,429)</u>	<u>1,532,783</u>	<u>(2,598)</u>	<u>(18,754,244)</u>
Total Net Position	<u>\$ 268,133,932</u>	<u>\$ 1,532,783</u>	<u>\$ (2,598)</u>	<u>\$ 269,664,117</u>

**Condensed Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2025**

	College	GTCC Innovative Resources Corp and Subsidiary	Eliminations	Total
OPERATING REVENUES				
Student Tuition and Fees, Net	\$ 7,110,494	\$ -	\$ -	\$ 7,110,494
Sales and Services, Net	5,382,564	1,346,359	(382,443)	6,346,480
Other Operating Revenues	240,975	-	-	240,975
Total Operating Revenues	<u>12,734,033</u>	<u>1,346,359</u>	<u>(382,443)</u>	<u>13,697,949</u>
OPERATING EXPENSES				
Operating Expenses	125,903,527	1,096,746	(380,904)	126,619,369
Depreciation	12,062,640	-	-	12,062,640
Total Operating Expenses	<u>137,966,167</u>	<u>1,096,746</u>	<u>(380,904)</u>	<u>138,682,009</u>
Operating Income (Loss)	<u>(125,232,134)</u>	<u>249,613</u>	<u>(1,539)</u>	<u>(124,984,060)</u>
NONOPERATING REVENUES (EXPENSES)				
State Aid	64,593,951	-	-	64,593,951
County Appropriations	19,028,000	-	-	19,028,000
Noncapital Grants - Student Financial Aid	36,593,873	-	-	36,593,873
Noncapital Grants	3,449,504	-	(24,200)	3,425,304
Noncapital Gifts	-	1,059	(1,059)	-
Lease Interest Revenue	8,026	-	-	8,026
Investment Income	2,306,013	475	-	2,306,488
Interest and Fees Expense	(60,363)	-	-	(60,363)
Other Nonoperating Expenses	(776,048)	-	24,200	(751,848)
Net Nonoperating Revenues (Expenses)	<u>125,142,956</u>	<u>1,534</u>	<u>(1,059)</u>	<u>125,143,431</u>
State Capital Aid	5,382,988	-	-	5,382,988
County Capital Aid	1,568,061	-	-	1,568,061
Capital Grants	751,094	-	-	751,094
Capital Contributions	239,892	-	-	239,892
Total Other Revenues	<u>7,942,035</u>	<u>-</u>	<u>-</u>	<u>7,942,035</u>
Increase (Decrease) in Net Position	7,852,857	251,147	(2,598)	8,101,406
NET POSITION				
Net Position, July 1, 2024	<u>260,281,075</u>	<u>1,281,636</u>	<u>-</u>	<u>261,562,711</u>
Net Position, June 30, 2025	<u>\$ 268,133,932</u>	<u>\$ 1,532,783</u>	<u>\$ (2,598)</u>	<u>\$ 269,664,117</u>

Condensed Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025

	College	GTCC Innovative Resources Corp and Subsidiary	Eliminations	Total
Net Cash Provided (Used) by Operating Activities	\$ (115,186,039)	\$ 260,379	\$ (1,539)	\$ (114,927,199)
Net Cash Provided (Used) by Noncapital Financing Activities	123,611,389	-	(1,059)	123,610,330
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	(7,974,290)	-	-	(7,974,290)
Net Cash Provided (Used) by Investing Activities	2,306,488	-	-	2,306,488
Net Increase (Decrease) in Cash and Cash Equivalents	2,757,548	260,379	(2,598)	3,015,329
Cash and Cash Equivalents, July 1, 2024	54,362,782	1,352,628	-	55,715,410
Cash and Cash Equivalents, June 30, 2025	\$ 57,120,330	\$ 1,613,007	\$ (2,598)	\$ 58,730,739

Note 18 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2025, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 101, Compensated Absences

GASB Statement No. 102, Certain Risk Disclosures

GASB Statement No. 101 updates the recognition, measurement, and disclosure requirements for compensated absences. This Statement supersedes GASB Statement No. 16, *Accounting for Compensated Absences*, which was issued in 1992, and aims to better meet the information needs of financial statement users by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. Lastly, the model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

GASB Statement No. 102 improves financial reporting by providing users of financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

REQUIRED SUPPLEMENTARY INFORMATION

**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 Ten Fiscal Years***

Exhibit C-1

Teachers' and State Employees' Retirement System	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net Pension Liability	0.21811%	0.21749%	0.21171%	0.22122%	0.22101%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 32,316,656	\$ 36,259,896	\$ 31,422,502	\$ 10,358,850	\$ 26,702,422
Covered Payroll	\$ 45,006,757	\$ 42,217,235	\$ 38,721,084	\$ 37,767,223	\$ 38,655,067
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	71.80%	85.89%	81.15%	27.43%	69.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.35%	82.97%	84.14%	94.86%	85.98%
	2020	2019	2018	2017	2016
Proportionate Share Percentage of Collective Net Pension Liability	0.22555%	0.23460%	0.25643%	0.21524%	0.26684%
Proportionate Share of TSERS Collective Net Pension Liability	\$ 23,382,672	\$ 23,356,985	\$ 20,346,287	\$ 23,091,551	\$ 9,833,582
Covered Payroll	\$ 37,940,868	\$ 37,167,037	\$ 38,739,119	\$ 36,301,610	\$ 37,426,607
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	61.63%	62.84%	52.52%	63.61%	26.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.56%	87.61%	89.51%	87.32%	94.64%

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	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 8,202,500	\$ 7,783,113	\$ 7,337,356	\$ 6,366,861	\$ 5,581,996
Contributions in Relation to the Contractually Determined Contribution	\$ 8,202,500	\$ 7,783,113	\$ 7,337,356	\$ 6,366,861	\$ 5,581,996
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 48,853,484	\$ 45,006,757	\$ 42,217,235	\$ 38,721,084	\$ 37,767,223
Contributions as a Percentage of Covered Payroll	16.79%	17.29%	17.38%	16.44%	14.78%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 5,013,562	\$ 4,662,933	\$ 4,006,607	\$ 3,866,164	\$ 3,321,597
Contributions in Relation to the Contractually Determined Contribution	\$ 5,013,562	\$ 4,662,933	\$ 4,006,607	\$ 3,866,164	\$ 3,321,597
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 38,655,067	\$ 37,940,868	\$ 37,167,037	\$ 38,739,119	\$ 36,301,610
Contributions as a Percentage of Covered Payroll	12.97%	12.29%	10.78%	9.98%	9.15%

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

**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, 2025**

Changes of Benefit Terms:

Teachers' and State Employees' Retirement System	Cost of Living Increase									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	N/A	N/A	N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A

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

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

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

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

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

Benefit recipients of the TSERS will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in November 2023, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2024. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

Effective January 1, 2024, new employees hired by UNC Health Care or by certain components of East Carolina University, who were not actively contributing to TSERS immediately before they were hired by those entities, are not eligible to join TSERS.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions: An actuarial valuation is performed for each year for the plan. The actuarially determined contribution rates in the Schedule of College Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Note 12 for more information on the specific assumptions for the plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

Changes of Assumptions: In January 2021, the actuarial assumptions for the TSERS were updated to more closely reflect actual experience.

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

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

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2024 *Annual Comprehensive 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 Nine Fiscal Years***

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

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net OPEB Liability	0.17869%	0.18044%	0.17853%	0.18519%	0.18312%
Proportionate Share of Collective Net OPEB Liability	\$ 60,777,682	\$ 48,083,431	\$ 42,394,438	\$ 57,252,093	\$ 50,798,082
Covered Payroll	\$ 45,006,757	\$ 42,217,235	\$ 38,721,084	\$ 37,767,223	\$ 38,655,067
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	135.04%	113.90%	109.49%	151.59%	131.41%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	9.79%	10.73%	10.58%	7.72%	6.92%
	2020	2019	2018	2017	
Proportionate Share Percentage of Collective Net OPEB Liability	0.19219%	0.20493%	0.21158%	0.21879%	
Proportionate Share of Collective Net OPEB Liability	\$ 60,806,895	\$ 58,381,598	\$ 69,371,212	\$ 95,181,087	
Covered Payroll	\$ 37,940,868	\$ 37,167,037	\$ 38,739,119	\$ 36,301,610	
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	160.27%	157.08%	179.07%	262.20%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.40%	4.40%	3.52%	2.41%	

**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 Nine Fiscal Years***

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

Disability Income Plan of North Carolina	2025	2024	2023	2022	2021
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.18471%	0.18463%	0.18073%	0.19048%	0.18797%
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (60,818)	\$ 49,104	\$ 53,764	\$ (31,113)	\$ (92,470)
Covered Payroll	\$ 45,006,757	\$ 42,217,235	\$ 38,721,084	\$ 37,767,223	\$ 38,655,067
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.14%	0.12%	0.14%	0.08%	0.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	114.99%	90.61%	90.34%	105.18%	115.57%
	2020	2019	2018	2017	
Proportionate Share Percentage of Collective Net OPEB Liability (Asset)	0.19343%	0.20295%	0.22208%	0.22068%	
Proportionate Share of Collective Net OPEB Liability (Asset)	\$ (83,465)	\$ (61,648)	\$ (135,735)	\$ (137,042)	
Covered Payroll	\$ 37,940,868	\$ 37,167,037	\$ 38,739,119	\$ 36,301,610	
Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	0.22%	0.17%	0.35%	0.38%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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
Page 1 of 2**

Retiree Health Benefit Fund	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 3,414,859	\$ 3,162,300	\$ 2,908,768	\$ 2,429,621	\$ 2,522,850
Contributions in Relation to the Contractually Determined Contribution	\$ 3,414,859	\$ 3,162,300	\$ 2,908,768	\$ 2,429,621	\$ 2,522,850
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 48,853,484	\$ 45,006,757	\$ 42,217,235	\$ 38,721,084	\$ 37,767,223
Contributions as a Percentage of Covered Payroll	6.99%	7.03%	6.89%	6.27%	6.68%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 2,500,983	\$ 2,378,892	\$ 2,248,606	\$ 2,250,743	\$ 2,032,890
Contributions in Relation to the Contractually Determined Contribution	\$ 2,500,983	\$ 2,378,892	\$ 2,248,606	\$ 2,250,743	\$ 2,032,890
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 38,655,067	\$ 37,940,868	\$ 37,167,037	\$ 38,739,119	\$ 36,301,610
Contributions as a Percentage of Covered Payroll	6.47%	6.27%	6.05%	5.81%	5.60%

**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
Page 2 of 2**

Disability Income Plan of North Carolina	2025	2024	2023	2022	2021
Contractually Required Contribution	\$ 63,510	\$ 48,523	\$ 42,217	\$ 34,847	\$ 33,991
Contributions in Relation to the Contractually Determined Contribution	\$ 63,510	\$ 48,523	\$ 42,217	\$ 34,847	\$ 33,991
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 48,853,484	\$ 45,006,757	\$ 42,217,235	\$ 38,721,084	\$ 37,767,223
Contributions as a Percentage of Covered Payroll	0.13%	0.11%	0.10%	0.09%	0.09%
	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 38,655	\$ 53,117	\$ 52,034	\$ 147,209	\$ 148,837
Contributions in Relation to the Contractually Determined Contribution	\$ 38,655	\$ 53,117	\$ 52,034	\$ 147,209	\$ 148,837
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 38,655,067	\$ 37,940,868	\$ 37,167,037	\$ 38,739,119	\$ 36,301,610
Contributions as a Percentage of Covered Payroll	0.10%	0.14%	0.14%	0.38%	0.41%

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

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, 2025

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

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

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

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

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

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

Effective April 1, 2024, coverage of GLP-1 prescriptions for obesity management (GLP-1-AOM) was terminated.

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

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

Changes of Assumptions: Consistent with prior years, for the actuarial valuation measured as of June 30, 2024 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.93%, from 3.65% as of June 30, 2023. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next four years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates by including proposed PMPM vendor rates through 2027 and then using assumed trend beginning in 2028. Employer portion of contributions were calculated to have less volatility than recent experience and have a smoother transition to the ultimate trend.

For the actuarial valuation measured as of June 30, 2024 for DIPNC, the discount rate remained at 3%, unchanged from the rate as of June 30, 2023.

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

For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability.

The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

For the DIPNC actuarial valuation as of December 31, 2023, benefit payments expected to be issued after 36 months of disability to claimants who had at least five years of membership service as of July 31, 2007 were updated to include an offset (reduction to the DIPNC benefit) based on estimated Social Security benefits.

The Notes to Required Supplementary Information reflect information included in the State of North Carolina's 2024 *Annual Comprehensive Financial Report*.

COMPLIANCE SECTION



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
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 (the “College”), a component unit of the State of North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements, and have issued our report thereon dated March 19, 2026.

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

A deficiency in internal controls 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 controls, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls 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 controls 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Purpose of this Report

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

Sharpe Patel PLLC

Raleigh, North Carolina
March 19, 2026