



**GASTON**  
COLLEGE

Annual Financial Report  
2024-2025



**GASTON COLLEGE  
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YEAR ENDED JUNE 30, 2025**

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Gaston College  
Dallas, North Carolina

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of the business-type activities, which collectively comprise the basic financial statement of Gaston College (the College), a component unit of the State of North Carolina (the State), 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 respective financial position of the College as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Emphasis of Matter – Correction of Error**

As discussed in Note 19 to the financial statements, the College has adjusted beginning net position to correct errors related to a prior year overstatement of capital asset additions. Our opinion is not modified with respect to that matter.

#### **Responsibilities of Management for the Financial Statements**

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

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

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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


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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of net pension liabilities – TSERS, the schedule of college contributions – TSERS, the schedule of proportionate share of net OPEB liability (asset) – RHBF, the schedule of college contribution – RHBF, the schedule of proportionate share of net OPEB liability (asset) – DIPNC, the schedule of college contribution – DIPNC, and the notes to 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 GAAS, 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 10, 2026, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
March 10, 2026

**GASTON COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2025**

**Introduction**

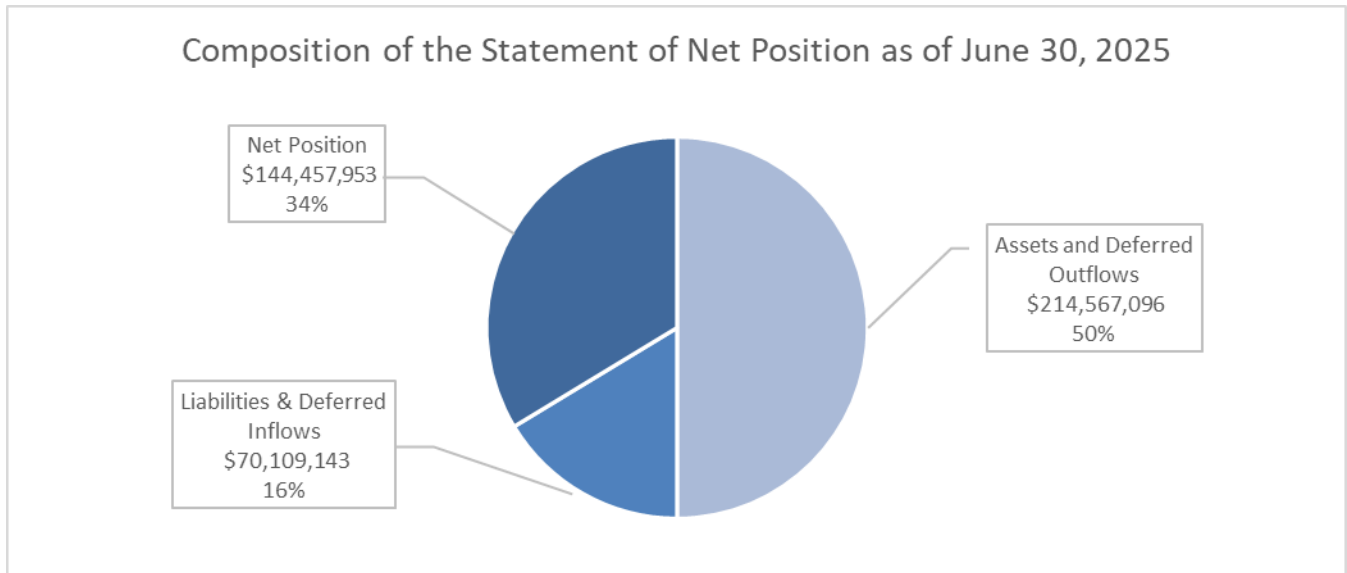
The following is a discussion and analysis of the financial position and activities of Gaston College (the "College") for the fiscal year ended June 30, 2025, with selected comparative information for the year ended June 30, 2024. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes to the financial statements which follow this section.

The College's financial statements are blended with those of the Gaston College Foundation, Inc. (the "Foundation"), a legally separate nonprofit organization whose purpose is to support the College and its students.

The College is a comprehensive public two-year college serving approximately 17,500 community residents annually and has approximately 660 full and part-time employees in the Gaston and Lincoln County region of North Carolina. The College offers a broad range of college transfer, associate, and technical degree programs. The College offers nearly 150 degree, diploma and certification programs, customized corporate training, market-focused continuing education, and special interest classes.

**Financial Highlights**

The composition of the College's Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position is presented below.



**GASTON COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2025**

**Financial Highlights (Continued)**

Changes in the net position represent the operating and nonoperating activity of the College and are summarized for the years ended June 30, 2025 and 2024 as follows:

	2025	2024 As Restated	Difference
Operating Revenues	\$ 8,414,973	\$ 8,709,857	\$ (294,884)
Operating Expenses	67,573,549	65,783,240	1,790,309
Other Revenues	125,585,577	62,801,312	62,784,265
Increase in Net Position	<u>\$ 66,427,001</u>	<u>\$ 5,727,929</u>	<u>\$ 60,699,072</u>

**Using the 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 financial statements are prepared in accordance with the Governmental Accounting Standards Board ("GASB") principles.

**Statement of Net Position**

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and includes all assets, deferred inflows and outflows, and liabilities of the College. The difference between total assets plus deferred outflows and total liabilities plus deferred inflows, net position, is one indicator of the current financial position of the College. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation and amortization.

A summarized comparison of the College's assets, deferred outflows, liabilities, deferred inflows, and net position at June 30, 2025 and 2024, is presented below:

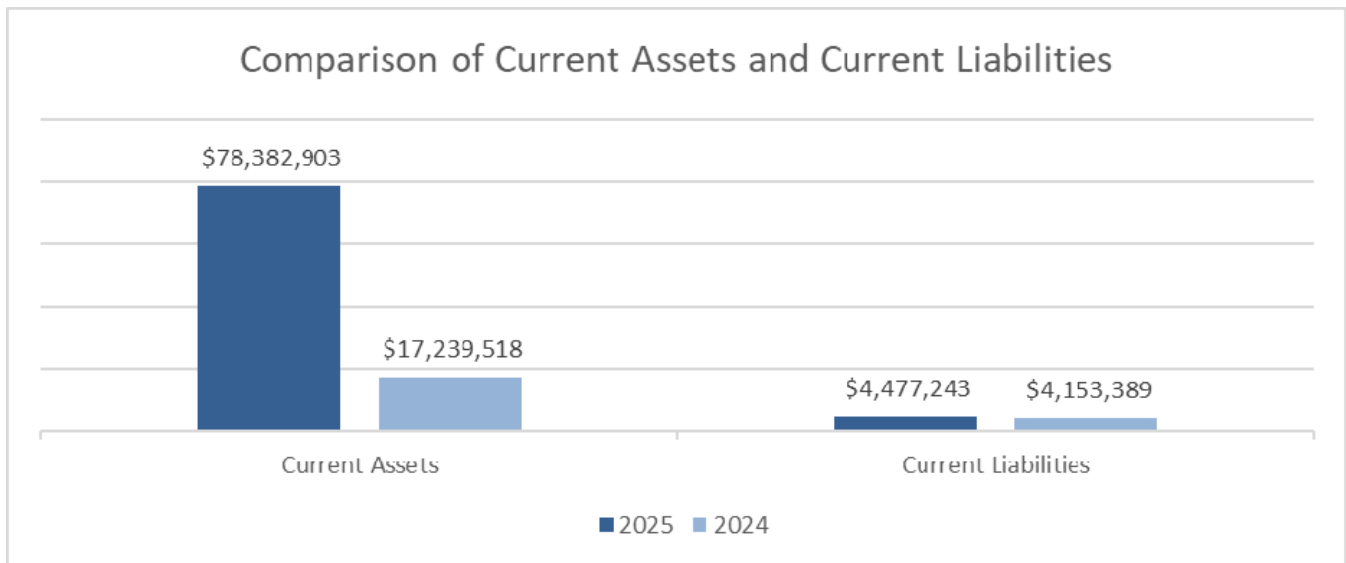
	2025	2024 As Restated
Current Assets	\$ 78,382,903	\$ 17,239,518
Capital Assets	98,058,135	95,651,541
Noncapital Assets	13,234,122	10,356,464
Deferred Outflows	24,891,936	22,583,939
Current Liabilities	4,477,243	4,153,389
Noncurrent Liabilities	59,762,132	53,707,808
Deferred Inflows	5,869,768	9,939,313
Net Position	144,457,953	78,030,952

**GASTON COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2025**

**Statement of Net Position (Continued)**

The College's current assets increased \$61,143,385. The increase in the current assets is primarily attributable to the receipt of a \$60,000,000 State Capital and Infrastructure (SCIF) grant for the construction of a Health Science Education and Simulation Center.

The noncurrent liabilities increased \$6,054,324 primarily due to the College's proportion of the state's pension obligation.



**Net Position**

Net position represents the residual interest in the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The College's net position at June 30, 2025 and 2024 are summarized below:

	2025	2024 As Restated
Net Investment in Capital Assets	\$ 96,628,646	\$ 94,076,621
Restricted Expendable	72,976,626	10,349,974
Unrestricted	(25,147,319)	(26,395,643)

Net investment in capital assets represents the College's capital assets of \$98,058,135, less related Lease and SBITA debt of \$1,153,544 and less \$275,945 in Capital and Retainage in Accounts Payable as of June 30, 2025. Net investment in capital increased \$2,552,025, or 2.71%, mainly due to an increase in construction in progress.

Restricted Expendable increased \$62,626,652, or 605.09%, attributable to \$60,000,000 SCIF grant for the construction of a Health Science Education and Simulation Center.

**GASTON COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2025**

**State of Revenues, Expenses, and Changes in Net Position**

The Statement of Revenues, Expenses, and Changes in Net Position presents the College's results of operations. Below is a summarized comparison of the College's revenues, expenses, and changes in net position for the years ended June 30, 2025 and 2024:

	2025	2024 As Restated
Operating Revenues:		
Student Tuition and Fees, Net	\$ 6,382,103	\$ 5,478,952
Sales and Services and Other	2,032,870	3,230,905
Total Operating Revenues	8,414,973	8,709,857
Operating Expenses	67,573,549	65,783,240
Operating Loss	(59,158,576)	(57,073,383)
Nonoperating Revenues:		
State Aid and Appropriations	36,044,111	31,403,339
County Appropriations	6,327,543	6,249,783
Noncapital Grants and Contributions	17,123,811	12,625,799
Capital Aid and Contributions	62,861,732	10,902,957
Additions to Endowments	1,113,540	103,637
Investment Income, Net	1,814,118	1,387,485
Other Nonoperating Revenues	300,722	128,312
Total Nonoperating Revenues	125,585,577	62,801,312
Increase in Net Position	66,427,001	5,727,929
Net Position - Beginning of Year	78,030,952	69,283,937
Restatement	-	3,019,086
Net Position - Beginning of Year, As Restated	78,030,952	72,303,023
Net Position - End of Year	\$ 144,457,953	\$ 78,030,952

The majority of the increase in operating expenses is due to an increase in salaries and benefits. Salaries and benefits increased due to a college-wide salary increase for employees of 3% effective July 1, 2024. The pension and OPEB expenses also increased, totaling \$6,974,601 and \$4,853,765 for the years ended June 30, 2025 and 2024, respectively.

The increase in state aid is due to the increase in the College's enrollment. State aid is primarily a function of full-time equivalent students; therefore, the increase in enrollment resulted in the increase in revenue.

The increase in noncapital grants and contributions is primarily attributable to higher Pell-eligible enrollment, expanded participation in state-funded grant programs, and additional institutional scholarship support through the Foundation.

One of the College's strengths is its alternative sources of revenues. Grants, appropriations, and allocations from Federal, County, and State sources supplement student tuition and fees. The College will continue to strategically seek alternative funding from these sources in alignment with Strategic Priority 5.1 – *Explore alternative funding sources and investment strategies.*

**GASTON COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2025**

**State of Revenues, Expenses, and Net Position (Continued)**

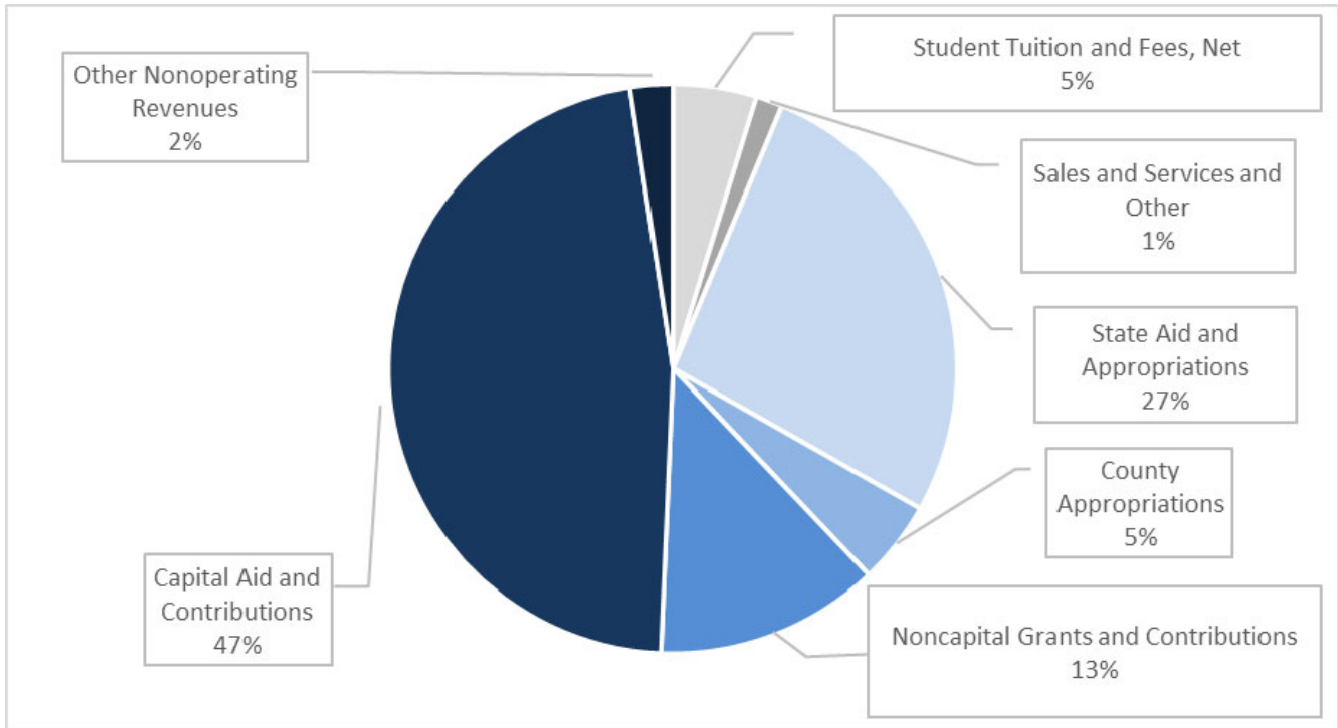
While tuition and fees and State and County appropriations fund a large percentage of College costs, private support has been, and will continue to be, essential.

The College continues to make revenue diversification, along with cost containment, an ongoing effort. This is necessary as the College continues to face financial pressures, particularly in the areas of compensation and benefits and technology costs.

Tuition and fees and State appropriations are the primary sources of funding for the College's academic programs. County funding is vital and allows the College to continue with its long-term capital plan, its deferred maintenance plan, and construction projects.

The composition of the College's revenues is as follows:

**Fiscal 2025 Revenues  
Total Revenue \$134,000,550**

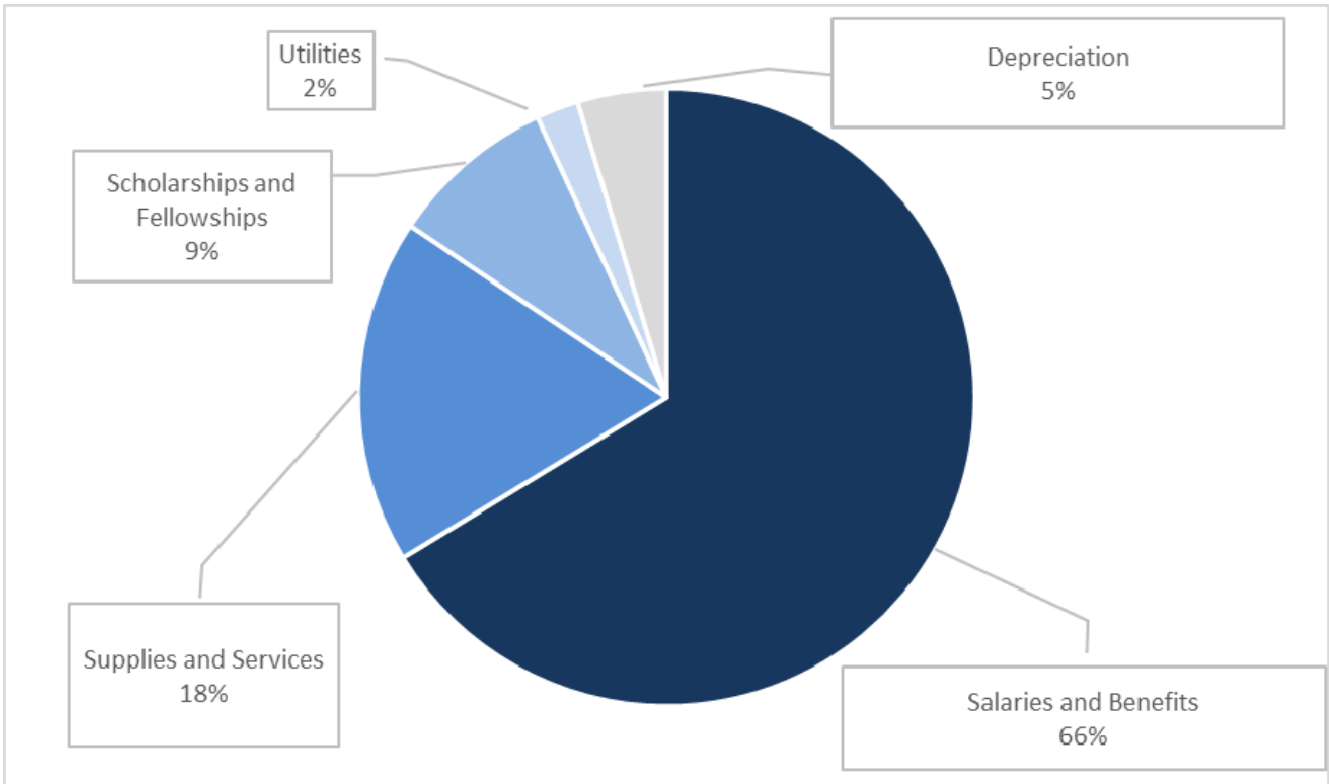


**GASTON COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2025**

**State of Revenues, Expenses, and Net Position (Continued)**

The composition of the College's expenses by natural classification is as follows:

**Fiscal 2025 Expenses  
Total Expenses \$67,573,549**

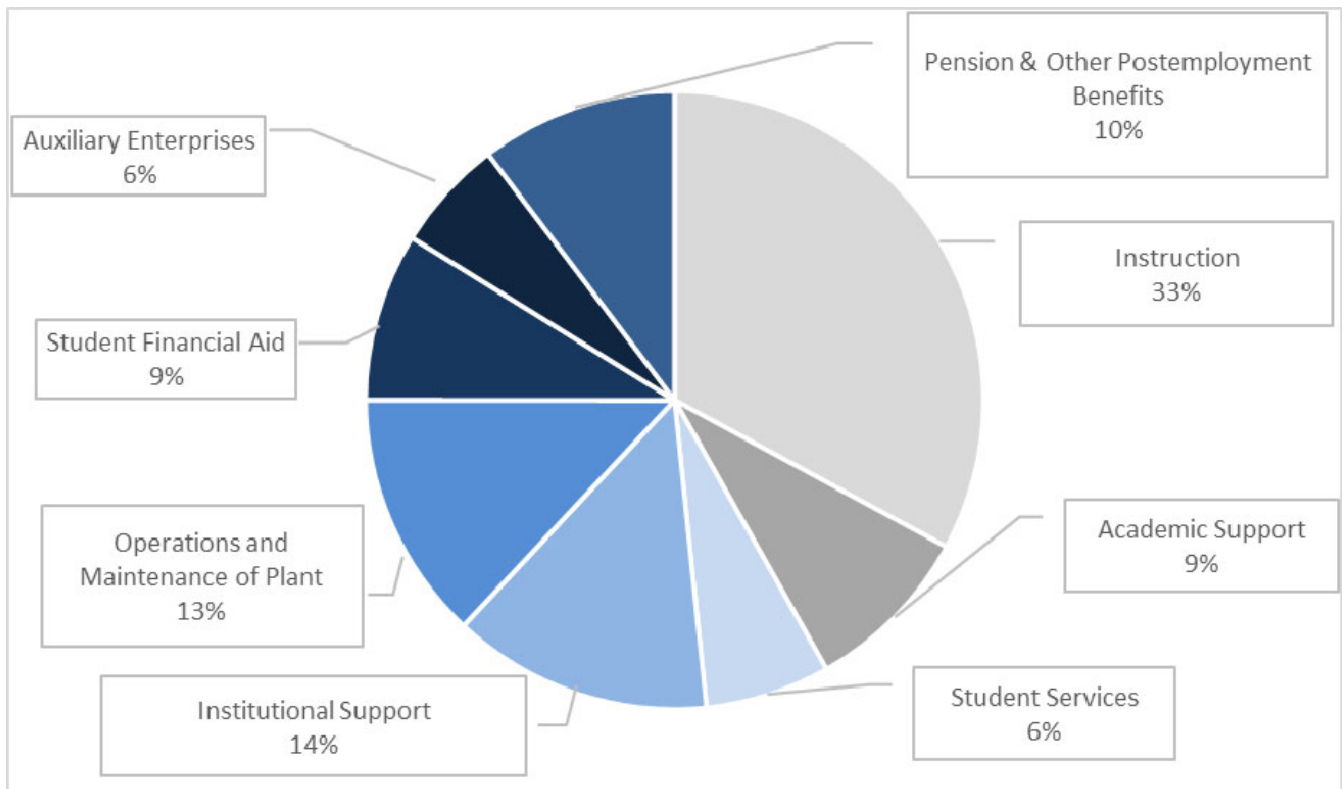


**GASTON COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2025**

**State of Revenues, Expenses, and Net Position (Continued)**

In addition to natural (object) classification, it is also informative to review operating expenses by function. The composition of the College's expenses by functional classification, excluding interest expense and other nonoperating expenses, for the year ended June 30, 2025, is as follows:

**Expense Composition by Functional Classification  
Total Operating Expenses \$67,573,549**



**Capital Activities**

The College was able to maintain its capital activity during fiscal year 2025 due to County funding and continued construction and building improvements. The College expended \$5,777,966 on capital assets and construction projects in 2025 as compared to \$27,797,893 in 2024. Capital asset projects primarily are comprised of renovations of existing buildings and the beginning phases of new construction of Health Science Education and Simulation Center. Current construction in progress totals \$3,425,855.

**GASTON COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2025**

**Economic Factors that may Affect Future**

A critical element to the College's future will continue to be our relationship with the State of North Carolina, as we work together to manage tuition costs while simultaneously providing a quality college education. There is a direct relationship between the growth of State and County support and the College's ability to expand and meet the needs of Gaston and Lincoln County's citizens. While the State of North Carolina continues to enthusiastically support the Community College System, economic pressures affecting the State may also affect the State's future support of the College.

**Request for Information**

This report provides an overview of the College's finances for those with an interest in this area. For questions concerning any of the information in this report or requests for additional information contact the Chief Finance Officer, Gaston College, 201 Highway 321 South, Dallas, NC 28034.

**GASTON COLLEGE  
STATEMENT OF NET POSITION  
JUNE 30, 2025**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 12,625,274
Restricted Cash and Cash Equivalents	60,107,114
Receivables, Net	4,378,186
Inventories	391,745
Prepaid Items	880,584
Total Current Assets	78,382,903

Noncurrent Assets:

Receivables, Net	304,680
Restricted Due from Primary Government	1,159,600
Restricted Investments	11,731,924
Net Other Postemployment Benefits Asset	37,918
Capital Assets - Nondepreciable, Net	4,977,508
Capital Assets - Depreciable, Net	93,080,627
Total Noncurrent Assets	111,292,257

Total Assets	189,675,160
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows Related to Pensions	11,010,512
Deferred Outflows Related to Other Postemployment Benefits	13,881,424
Total Deferred Outflows of Resources	24,891,936

See accompanying Notes to Financial Statements.

**GASTON COLLEGE**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**JUNE 30, 2025**

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities	\$ 2,619,329
Unearned Revenue	1,005,321
Funds Held for Others	236,749
Long-Term Liabilities - Current Portion	615,844
Total Current Liabilities	4,477,243

Noncurrent Liabilities:

Long-Term Liabilities	59,762,132
Total Noncurrent Liabilities	59,762,132

Total Liabilities	64,239,375
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflows Related to Pensions	58,977
Deferred Inflows Related to Other Postemployment Benefits	5,810,791
Total Deferred Inflows of Resources	5,869,768

**NET POSITION**

Net Investment in Capital Assets	96,628,646
Restricted for:	
Nonexpendable:	
Student Financial Aid	5,444,179
OPEB Asset	37,918
Expendable:	
Student Financial Aid	4,311,018
Capital Projects	62,579,437
Other	604,074
Unrestricted	(25,147,319)
Total Net Position	\$ 144,457,953

**GASTON COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2025**

<b>OPERATING REVENUES</b>	
Student Tuition and Fees, Net	\$ 6,382,103
State and Local Grants and Contracts	22,223
Sales and Services, Net	1,853,815
Other Operating Revenues	156,832
Total Operating Revenues	8,414,973
<b>OPERATING EXPENSES</b>	
Salaries and Benefits	44,657,351
Supplies and Services	12,291,697
Scholarships and Fellowships	5,942,280
Utilities	1,511,502
Depreciation and Amortization	3,170,719
Total Operating Expenses	67,573,549
<b>OPERATING INCOME (LOSS)</b>	(59,158,576)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State Aid and Appropriations	36,044,111
County Appropriations	6,327,543
Student Financial Aid	16,291,093
Noncapital Contributions	832,718
Investment Income (Net of Investment Expense of \$47,770)	1,814,118
Other Nonoperating Revenues	300,722
Total Nonoperating Revenues (Expenses)	61,610,305
<b>INCOME (LOSS) BEFORE OTHER CHANGES IN NET POSITION</b>	2,451,729
<b>OTHER CHANGES IN NET POSITION</b>	
State Capital Aid	60,367,271
County Capital Aid	741,801
Capital Contributions	1,754,115
Additions to Endowment	1,113,540
Special Items	(1,455)
Total Other Changes in Net Position	66,427,001
<b>CHANGE IN NET POSITION</b>	66,427,001
<b>Net Position - Beginning of Year</b>	81,106,700
Restatement - See Note 19	(3,075,748)
<b>Net Position - Beginning of Year, as Restated</b>	78,030,952
<b>NET POSITION - END OF YEAR</b>	\$ 144,457,953

See accompanying Notes to Financial Statements.

**GASTON COLLEGE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2025**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Proceeds from Tuition and Fees	\$ 6,748,650
Proceeds from Sales and Service	2,057,478
Proceeds from Local Grants and Other Operating	179,055
Payments to Employees and Fringe Benefits	(44,833,858)
Payments to Vendors and Suppliers	(13,964,533)
Payments to Scholarships and Fellowships	(5,997,010)
Proceeds from Other Receipts	297,840
Net Cash Provided (Used) by Operating Activities	<u>(55,512,378)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Proceeds from State Aid and Appropriations	36,044,111
Proceeds from County Appropriations	6,327,543
Proceeds from Student Financial Aid	13,605,961
Proceeds from Additions to Endowments	1,767,967
Net Cash Provided (Used) by Noncapital Financing Activities	<u>57,745,582</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from State Capital Aid	59,220,771
Proceeds from County Capital Aid	776,020
Proceeds from Capital Contributions	805,896
Proceeds from Sale of Capital Assets	7,273
Payments to Acquisition and Construction of Capital Assets	(4,566,666)
Payments to Principal Paid on Capital Debt and Lease/Subscription Liabilities	(385,610)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>55,857,684</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	(41,158)
Proceeds from Investment Income	1,376,659
Payments to Acquire Investments	(1,145,353)
Net Cash Provided (Used) by Investing Activities	<u>190,148</u>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** 58,281,036

Cash and Cash Equivalents - Beginning of Year 14,451,352

**CASH AND CASH EQUIVALENTS - END OF YEAR** \$ 72,732,388

**GASTON COLLEGE  
STATEMENT OF CASH FLOWS (CONTINUED)  
YEAR ENDED JUNE 30, 2025**

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

Operating Loss	\$ (59,158,576)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation and Amortization Expense	3,170,720
Other Nonoperating Income	294,295
Change in Assets and Deferred Outflows of Resources:	
Receivables, Net	548,157
Inventories	(33,447)
Notes Receivable, Net	(446,087)
Prepaid Items	(37,918)
Deferred Outflows Related to Pensions	3,535,440
Deferred Outflows Related to Other Postemployment Benefits	(5,843,438)
Change in Liabilities and Deferred Inflows of Resources:	
Accounts Payable and Accrued Liabilities	302,373
Unearned Revenue	(32,677)
Funds Held for Others	3,545
Net Pension Liability	(1,859,631)
Net Other Postemployment Benefits Liability	8,546,101
Compensated Absences	(431,690)
Deferred Inflows Related to Pensions	(101,998)
Deferred Inflows Related to Other Postemployment Benefits	(3,967,547)
Net Cash Used by Operating Activities	<u>\$ (55,512,378)</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Capital Assets Acquired under Lease Purchases	\$ 689,955
Donated Capital Assets	783,058
Change in Fair Value of Investments	628,437
Gain on Disposal of Capital Assets	6,427
Increase in Receivables Related to Nonoperating/Other Revenues	3,940,995
Decrease in Net Other Postemployment Benefits Liability Related to Noncapital Contributions	(11,376)

See accompanying Notes to Financial Statements.

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

**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. Gaston College (the 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 unit for which the College's Board of Trustees is financially accountable. The College's component unit is blended with the College's financial statements. The blended component unit, although legally separate, is in substance, part of the College's operations and therefore, is reported as if it were part of the College. 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, The Gaston College Foundation, Inc. (the Foundation) is reported as part of the College. The Foundation is governed by a 15-member board of directors, all of whom are appointed by the College's Board of Trustees, but a majority of whom must be non-trustee directors. Gaston College has operational responsibility for the Foundation. The Foundation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the directors of the Foundation are appointed by the members of the Gaston College Board of Trustees, the College has operational responsibility, and the Foundation's sole purpose is to benefit Gaston College, its financial statements have been blended with those of the College.

Separate financial statements for the Foundation may be obtained from the College Controller's Office, 201 Highway 321 South, Dallas, North Carolina 28034, or by calling (704) 922-6405. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

Condensed information regarding the blended component unit is provided in Note 2.

**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.

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Cash and Cash Equivalents**

Cash and cash equivalents include petty cash, cash on deposit in 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.

**Investments**

To the extent available, investments are reported at fair value based on quoted market prices in active markets or on a trade-date basis. Additional information regarding the fair value measurement of investments is disclosed in Note 4. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net change in the fair value of investments is recognized as a component of investment income. Certificates of deposit are reported at cost, if purchased, or at fair value or appraised value at date of gift, if donated.

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

**Receivables**

Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, vendor credits, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories**

Inventories, consisting of expendable supplies and merchandise for resale, are valued at cost using the last invoice cost method. Bookstore merchandise is valued with a weighted moving average cost inventory method.

**Capital Assets**

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

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated computer software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater. 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 to 100 Years
Machinery and Equipment	5 to 75 Years
General Infrastructure	10 to 75 Years
Computer Software	2 to 30 Years
Right-of-Use Leased Building	2 to 100 Years
Right-of-Use Leased Machinery and Equipment	2 to 75 Years
Right-of-Use Leased General Infrastructure	2 to 75 Years

The Rauch collection is capitalized at cost or acquisition value at the date of donation. The collection is considered inexhaustible and is therefore not depreciated.

Right-to-use lease 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 \$5,000 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 \$5,000 or greater and an estimated useful life of more than one year.

Amortization for right-to-use lease 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 lease asset is amortized over the asset's estimated useful life.

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted Assets**

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

**Noncurrent Long-Term Liabilities**

Noncurrent long-term liabilities include long-term liabilities that will not be paid within the next fiscal year. Other long-term liabilities include: leases 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 *Comprehensive Annual Financial Report*. This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 14 for further information regarding the College's policies for recognizing liabilities, expenses, and 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 15 for further information regarding the College's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

**Compensated Absences**

The liability for compensated absences reported in the Statement of Net Position consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave. 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 – Bonus leave includes the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred to 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.

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences (Continued)**

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.

**Deferred Outflows/Inflows of Resources**

Deferred outflows of resources, represents 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. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until then.

**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 debt obligations related to those capital assets.
- **Restricted Net Position – Nonexpendable.** Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.
- **Restricted Net Position – Expendable.** Expendable restricted net position includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.
- **Unrestricted Net Position.** Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income. It also includes the net position of accrued employee benefits such as compensated absences, pension plans, and other postemployment benefits.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 11 for further information regarding deferred outflows of resources and deferred inflows of resources that had a significant effect on unrestricted net position.

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Scholarship Discounts**

Student tuition and fee revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as non-operating 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.

**Revenue and Expense Recognition**

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

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

**Internal Sales Activities**

Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as bookstore. 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.

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. Gaston County capital appropriations are drawn as needed.

**Unearned Revenue**

Unearned revenue includes the portion of student tuition and fees for summer programs which have been received as of June 30 of the year, but not earned; scholarship and grant income that has been received but not expended; and unearned revenue for certain ongoing projects.

**Stewardship, Compliance, and Accountability**

Per State law, the College cannot spend amounts in excess of appropriations granted by the North Carolina Legislature. The deficits reported in unrestricted net position are caused by the Net Pension Liability and Net OPEB Liability as of June 30, 2025. See Note 11 for further details.

**New Accounting Standards**

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, effective for reporting periods beginning after December 15, 2023. Statement No. 101, which supersedes Statement No. 16, *Accounting for Compensated Absences*, defines compensated absences and provides a unified model for recognition of a liability and expense for leave that has not been used, provided it meets specified criteria. The College adopted Statement No. 101 during the fiscal year ended June 30, 2025. The impact on the beginning net position as of June 30, 2024, was evaluated and determined to be immaterial; therefore, the opening net position was not restated.

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 2 BLENDED COMPONENT UNIT**

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

Condensed Statement of Net Position			
	College	Foundation	Total
<b>ASSETS</b>			
Current Assets	\$ 76,244,372	\$ 2,138,531	\$ 78,382,903
Capital Assets, Net	98,058,135	-	98,058,135
Other Noncurrent Assets	1,124,526	12,109,596	13,234,122
Total Assets	175,427,033	14,248,127	189,675,160
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	24,891,936	-	24,891,936
<b>LIABILITIES</b>			
Current Liabilities	4,377,647	99,596	4,477,243
Long-Term Liabilities	59,762,132	-	59,762,132
Total Liabilities	64,139,779	99,596	64,239,375
<b>DEFERRED INFLOWS OF RESOURCES</b>	5,869,768	-	5,869,768
<b>NET POSITION</b>			
Investment in Capital Assets, Net	96,628,646	-	96,628,646
Restricted - Nonexpendable	37,918	5,444,179	5,482,097
Restricted - Expendable	62,183,742	5,310,787	67,494,529
Unrestricted	(28,540,884)	3,393,565	(25,147,319)
Total Net Position	\$ 130,309,422	\$ 14,148,531	\$ 144,457,953

\* All intercompany transactions have been eliminated

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 2 BLENDED COMPONENT UNIT (CONTINUED)**

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

	College	Foundation	Total
<b>OPERATING REVENUES</b>			
Student Tuition and Fees, Net	\$ 6,382,103	\$ -	\$ 6,382,103
State and Local Contracts and Grants	22,223	-	22,223
Sales and Services	1,853,815	-	1,853,815
Other Operating Revenue	42,131	114,701	156,832
Total Operating Revenues	<u>8,300,272</u>	<u>114,701</u>	<u>8,414,973</u>
<b>OPERATING EXPENSES</b>			
Operating Expenses	61,588,465	2,814,365	64,402,830
Depreciation and Amortization	3,170,719	-	3,170,719
Total Operating Expenses	<u>64,759,184</u>	<u>2,814,365</u>	<u>67,573,549</u>
<b>OPERATING INCOME (LOSS)</b>	(56,458,912)	(2,699,664)	(59,158,576)
<b>NONOPERATING REVENUES</b>			
Noncapital Aid and Gifts	58,790,311	705,154	59,495,465
Investment Income, Net	768,587	1,045,531	1,814,118
Other Nonoperating Revenues	300,722	-	300,722
Capital Contributions	61,886,189	976,998	62,863,187
Special/Extraordinary Items	(1,455)	-	(1,455)
Additions to Endowments	-	1,113,540	1,113,540
Total Nonoperating Revenues	<u>121,744,354</u>	<u>3,841,223</u>	<u>125,585,577</u>
<b>CHANGE IN NET ASSETS</b>	65,285,442	1,141,559	66,427,001
Net Position - Beginning of Year	68,099,728	13,006,972	81,106,700
Restatement	<u>(3,075,748)</u>	<u>-</u>	<u>(3,075,748)</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 130,309,422</u>	<u>\$ 14,148,531</u>	<u>\$ 144,457,953</u>

\* All intercompany transactions have been eliminated

Condensed Statement of Cash Flows

	College	Foundation	Total
Net Cash Provided (Used) by Operating Activities	\$ (52,871,418)	\$ (2,640,960)	\$ (55,512,378)
Net Cash Provided (Used) by Noncapital Financing Activities	55,926,481	1,819,101	57,745,582
Net Cash Provided (Used) by Capital and Related Financing Activities	54,850,567	1,007,117	55,857,684
Net Cash Provided (Used) by Investing Activities	<u>879,236</u>	<u>(689,088)</u>	<u>190,148</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	58,784,866	(503,830)	58,281,036
Cash and Cash Equivalents - Beginning of Year	<u>11,530,383</u>	<u>2,920,969</u>	<u>14,451,352</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 70,315,249</u>	<u>\$ 2,417,139</u>	<u>\$ 72,732,388</u>

\* All intercompany transactions have been eliminated

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 3 DEPOSITS AND INVESTMENTS**

**Deposits**

The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the state of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank savings and loan association, or trust company whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At June 30, 2025, Cash on hand was \$9,275, the carrying amount of the College's deposits not with the State Treasurer was \$70,094,893, and the bank balance was \$70,716,563.

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.

**Investments**

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.

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

At June 30, 2025, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$2,632,371 which represents the College's equity position in the State Treasurer's 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 and does not have a credit rating) had a weighted average maturity of 14.0 years as of June 30, 2025. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Programs separately issued audit report. This separately issued report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Audited Financial Statements section.

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to G.S. 147-69.2. This statute authorizes investments for special funds held by the State Treasurer and includes the following investments: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the state of North Carolina; certificates of deposit and other deposit accounts of specified financial institutions; prime quality commercial paper; asset-backed securities, bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; and general obligations of North Carolina local governments and obligations of certain entities with specific ratings.

Investments of the College's component unit, The Gaston College Foundation, are subject to and restricted by G.S. 36E *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) and any requirements placed on them by contract or donor agreements.

Investment income of \$1,814,118 is reported on the basic financial statements net of investment expense. Investment expense for the fiscal year ending June 30, 2025, is \$47,770.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation has a formal policy that addresses credit risk. The policy stipulates that corporate debt issues should have a rating no lower than BBB; Investment in BBB rated securities is limited to 15% of the manager's portfolio. As of June 30, 2025, the College did not hold investments with a direct credit risk. The College does invest in bonds through mutual funds.

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a formal policy for custodial credit risk. All investments are held in the name of the College or its Foundation. The College and Foundation money market accounts of \$65,022,649 are reported as cash and cash equivalents. The College is not party to any swap or derivative contracts.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. Other than securities of the United States Government or its agencies, the Foundation places a 5% limit on the amount that may be invested in any one domestic fixed income issuer.

**Foreign Currency Risk**

Foreign currency risk is defined by GASB Statement No. 40 as the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation's investment policy permits it to invest in foreign-currency denominated securities. The Foundation does not currently hold any foreign-currency denominated securities. The Foundation holds foreign debt and foreign equities through American Depository Receipts and dollar-denominated mutual funds.

**NOTE 4 FAIR VALUE MEASUREMENTS**

To the extent available, the College's investments are recorded at fair value as of June 30, 2025. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

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

*Level 1* – Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.

*Level 2* – Investments with inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.

*Level 3* – Investments classified as Level 3 have unobservable inputs and may require a degree of professional judgment.

**Assets Held by Others**

During the year ended June 30, 2024, the Foundation liquidated and transferred the majority of its investment assets to a fund held by the Gaston Community Foundation (GCF). This investment is considered by the Foundation to be a NAV financial instrument because it represents investment in a pooled investment fund. These assets are valued at net asset value per share as reported by GCF. The Foundation uses this per unit NAV because the units do not trade in the marketplace and GCF reports all investment assets at fair value. Net asset value is the price at which the Foundation can purchase or withdraw shares from GCF.

The following table summarizes the Foundation's investments within the fair value hierarchy at June 30, 2025:

<u>Investments by Fair Value Level</u>	<u>June 30, 2025</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
Assets Held by Others	\$ 11,678,604	\$ -	\$ -	\$ -	\$ 11,678,604
Investments Measured at Net Asset Value:					
Life Insurance	53,320				
Total Investments	<u>\$ 11,731,924</u>				

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 5 ENDOWMENT INVESTMENTS**

Investments of the College's endowment funds are pooled, unless required to be separately invested by the donor. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized and unrealized, of the investments of the endowment funds. Under the UPMIFA, authorized by the North Carolina General Assembly on March 19, 2009, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. During the year, the Board did not appropriate expenditures from eligible nonexpendable endowment funds.

Investment return of the College's endowment funds is predicated on the total return concept (yield plus appreciation). Income available for disbursement is determined by a total return calculation. Specifically, the fair market value of the endowment's five previous fiscal years (as adjusted for additions and withdrawals) is determined. Then a five year average is calculated.

The generally accepted spending policy is a maximum of 5%. To the extent that the total return for the current year exceeds the payout, the excess is added to principal. If current year earnings do not meet the payout requirements, the Foundation uses accumulated income and appreciation in the principal balance to make up the difference. At June 30, 2025, net appreciation of \$3,102,433 was available to be spent, all of which was classified in net assets as restricted: expendable: scholarships and fellowships as it is restricted for specific purposes.

**NOTE 6 RECEIVABLES**

Receivables at June 30, 2025, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Less Discounting on Pledges	Net Receivables
Current Receivables:				
Students	\$ 4,173,425	\$ (2,740,000)	\$ -	\$ 1,433,425
Student Sponsors	218,597	-	-	218,597
Vendors	327,333	-	-	327,333
Sales and Service	258,667	-	-	258,667
Intergovernmental	2,070,164	-	-	2,070,164
Pledges	70,000	-	-	70,000
Total Current Receivables	<u>7,118,186</u>	<u>(2,740,000)</u>	-	<u>4,378,186</u>
Noncurrent Receivables:				
Intergovernmental	149,780	-	-	149,780
Pledges	170,000	-	(15,100)	154,900
Total Noncurrent Receivables	<u>\$ 319,780</u>	<u>\$ -</u>	<u>\$ (15,100)</u>	<u>\$ 304,680</u>

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 CAPITAL ASSETS**

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

	Balance Beginning of Year,		Decreases	Transfers and Reclassifications	Balance End of Year
	As Restated	Increases			
<b>Capital Assets, Nondepreciable:</b>					
Land and Permanent Easements	\$ 1,607,252	\$ -	\$ 110,328	\$ -	\$ 1,496,924
Art, Literature, and Artifacts	54,729	-	-	-	54,729
Construction-in-Progress	123,430	3,304,325	-	(1,900)	3,425,855
Total Capital Assets, Nondepreciable	1,785,411	3,304,325	110,328	(1,900)	4,977,508
<b>Capital Assets, Being Depreciated and Amortized:</b>					
Buildings	109,052,058	123,991	-	-	109,176,049
Machinery and Equipment	16,583,712	2,075,922	929,712	-	17,729,922
General Infrastructure	5,925,880	71,326	-	-	5,997,206
Right-of-Use Lease Assets - Buildings	169,450	-	-	-	169,450
Right-of-Use Lease Assets - Machinery and Equipment	584,968	-	51,458	-	533,510
Right-of-Use Lease Assets - General Infrastructure	556,680	-	-	-	556,680
Subscription (SBITA) Asset	377,893	202,402	-	-	580,295
Total Capital Assets, Being Depreciated and Amortized	133,250,641	2,473,641	981,170	-	134,743,112
<b>Less: Accumulated Depreciation and Amortization:</b>					
Buildings	29,410,224	1,747,975	22,000	(68,612)	31,067,587
Machinery and Equipment	7,540,233	946,650	700,260	(12,441)	7,774,182
General Infrastructure	2,150,088	144,473	91,666	(18,515)	2,184,380
Right-of-Use Lease Assets - Buildings	63,543	21,181	-	-	84,724
Right-of-Use Lease Assets - Machinery and Equipment	65,115	80,334	3,006	-	142,443
Right-of-Use Lease Assets - General Infrastructure	172,764	57,588	-	-	230,352
Subscription (SBITA) Asset	6,298	172,519	-	-	178,817
Total Accumulated Depreciation and Amortization	39,408,265	3,170,720	816,932	(99,568)	41,662,485
Total Capital Assets, Being Depreciated And Amortized, Net	93,842,376	(697,079)	164,238	99,568	93,080,627
Capital Assets, Net	\$ 95,627,787	\$ 2,607,246	\$ 274,566	\$ 97,668	\$ 98,058,135

At year-end, the total amount of leased and subscription assets was \$1,839,935 and related accumulated amortization was \$636,336.

**NOTE 8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	<u>Amount</u>
Accounts Payable	\$ 1,031,388
Accounts Payable-Capital Assets	224,039
Accrued Payroll	1,152,294
Contract Retainage	211,608
Total	<u>\$ 2,619,329</u>

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 LONG-TERM LIABILITIES**

A summary of changes in the long-term liabilities for the year ended June 30, 2025, is presented below. Noncurrent, long-term liabilities total \$59,762,132.

	Balance			Balance End of Year	Current Portion
	Beginning of Year	Additions	Reductions		
Leases Liability	\$ 1,033,860	\$ -	\$ 220,632	\$ 813,228	\$ 178,544
Subscription (SBITA) Liability	302,892	202,402	164,978	340,316	181,282
Net Pension Liability	21,810,288	-	1,859,631	19,950,657	-
Net OPEB Liability	28,855,587	8,564,571	29,846	37,390,312	-
Compensated Absences	2,315,154	-	431,691	1,883,463	256,018
Total Long-Term Liabilities	<u>\$ 54,317,781</u>	<u>\$ 8,766,973</u>	<u>\$ 2,706,778</u>	<u>\$ 60,377,976</u>	<u>\$ 615,844</u>

**NOTE 10 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

**Lessee Arrangements**

The College has lease agreements for the right to use infrastructure, office space, and equipment from external parties. The leases expire at various dates, and some have renewal options. Lease liabilities and right-to-use leased assets are recorded based on the present value of expected receipts over the term of the respective leases. The expected payments are discounted using the interest rate stated per the lease contract, or the College's estimated incremental borrowing rate if there is no stated contractual interest rate.

Measurement of the lease liability excluded the following variable payment amounts: 1) the increase or decrease in payments after the initial measurement of the lease liability that depend on changes in an index or rate (such as the Consumer Price Index) and 2) payments based on future performance or usage of the underlying assets. During the year the College did not recognize any variable payment amounts.

The College's leasing 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 <sup>(1)</sup>	Interest Rate Change
Leases:					
Buildings	1	\$ 87,843	\$ 49,628	8 Years	3 to 5 %
Machinery and Equipment	3	374,198	64,930	5 Years	3 to 5 %
General Infrastructure	1	351,187	63,986	30 Years	4%
Total	<u>5</u>	<u>\$ 813,228</u>	<u>\$ 178,544</u>		

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

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 10 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)**

**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.

Measurement of the subscription liability excluded the following variable payment amounts: 1) the increase or decrease in payments after the initial measurement of the subscription liability that depend on changes in an index or rate (such as the Consumer Price Index) and 2) payments based on future performance or usage of the underlying assets. 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	Liabilities June 30, 2025	Current Portion	SBITA Terms	Interest Rate
Right-of-Use Subscription Assets	<u>\$ 340,316</u>	<u>\$ 181,282</u>	5 Years	5%

**Annual Requirements**

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

Year Ending June 30,	Lease Liabilities		Subscription Liabilities		Total
	Principal	Interest	Principal	Interest	
2026	\$ 178,544	\$ 30,643	\$ 181,282	\$ 14,235	\$ 404,704
2027	189,630	22,911	77,522	6,361	296,424
2028	201,012	14,739	81,512	3,260	300,523
2029	174,838	6,471	-	-	181,309
2030	66,564	1,032	-	-	67,596
2031-2035	2,640	33	-	-	2,673
Totals	<u>\$ 813,228</u>	<u>\$ 75,829</u>	<u>\$ 340,316</u>	<u>\$ 23,856</u>	<u>\$ 1,253,229</u>

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 11 NET POSITION**

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

	Amount
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$ (8,999,122)
Net OPEB Liability and Related Deferred Resources and Deferred Inflows of Resources	(29,319,679)
Effect on Unrestricted Net Position	(38,318,801)
 Total Unrestricted Net Position Before Recognition of Deferred Outflows of Resources, Deferred Inflows of Resources, and Related Long-Term Liabilities	 13,171,482
Total Unrestricted Net Position	\$ (25,147,319)

See Notes 14 and 15 for detailed information regarding the amortization of the Deferred Outflows of Resources and Deferred Inflows of Resources relating to pensions and OPEB, respectively.

**NOTE 12 REVENUES**

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts and Allowances	Less Changes in Allowance for Uncollectibles*	Net Revenues
Operating Revenues:					
Student Tuition and Fees, Net	\$ 11,113,872	\$ (7,287)	\$ (4,769,482)	\$ 45,000	\$ 6,382,103
Sales and Services of Auxiliary Enterprises:					
Bookstore	1,423,611	(3,911)	(612,527)	-	807,173
Printing	8,241	(8,361)	-	-	(120)
Textile	859,996	-	-	-	859,996
Other	186,766	-	-	-	186,766
Total Sales and Services of Auxiliary Enterprises	2,478,614	(12,272)	(612,527)	-	1,853,815
Total Operating Revenues	\$ 13,592,486	\$ (19,559)	\$ (5,382,009)	\$ 45,000	\$ 8,235,918

\* Note: The Allowance for Uncollectibles is equivalent to the change in the Allowance for Doubtful Accounts, excluding items such as direct write-offs

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 13 OPERATING EXPENSES BY FUNCTION**

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation and Amortization	Total
Instruction	\$ 18,714,659	\$ 1,097,878	\$ 2,404,535	\$ -	\$ -	\$ -	\$ 22,217,072
Academic Support	5,420,929	123,710	497,119	-	-	-	6,041,758
Student Services	4,013,552	73,106	331,007	-	-	-	4,417,665
Institutional Support	5,600,801	1,161,487	2,441,178	-	-	-	9,203,466
Operations and Maintenance of Plant	2,766,823	1,086,736	277,371	-	1,511,502	3,170,719	8,813,151
Student Financial Aid	-	-	-	5,942,280	-	-	5,942,280
Auxiliary Enterprises	1,165,986	1,690,301	1,107,269	-	-	-	3,963,556
Pension and OPEB Expense	6,974,601	-	-	-	-	-	6,974,601
Total Expenses by Function	<u>\$ 44,657,351</u>	<u>\$ 5,233,218</u>	<u>\$ 7,058,479</u>	<u>\$ 5,942,280</u>	<u>\$ 1,511,502</u>	<u>\$ 3,170,719</u>	<u>\$ 67,573,549</u>

Included in the scholarship and fellowship function are student financial aid operating expenses for emergency financial aid payments to eligible students.

**NOTE 14 PENSION PLANS**

**Defined Benefit Plan**

**Plan Administration**

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

**Benefits Provided**

TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60.

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 14 PENSION PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

**Benefits Provided (Continued)**

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 or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases.

**Contributions**

Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from 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 \$1,683,596, and the College's contributions were \$4,711,260 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 by accessing the North Carolina Office of the State Controller's Internet home page <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

**TSERS Basis of Accounting**

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

**Methods Used to Value TSERS Investment**

Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, the Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios.

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 14 PENSION PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

**Methods Used to Value TSERS Investment (Continued)**

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 \$19,950,657 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 0.13465%, which was an increase of 0.00383% from its proportion measured as of June 30, 2023, which was 0.13082%.

**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	December 31, 2023
Inflation	2.50%
Salary Increases <sup>(1)</sup>	3.25-8.05%
Investment Rate of Return <sup>(2)</sup>	6.50%

<sup>(1)</sup> Salary Increases include 3.25% inflation and productivity

<sup>(2)</sup> 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 healthy 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 study 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.

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 14 PENSION PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

**Actuarial Assumptions (Continued)**

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 Percent</u>
Fixed Income	2.4%
Global Equity	6.9%
Real Estate	6.0%
Alternatives	8.6%
Credit	5.3%
Inflation Protection	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 annualized 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. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2024 is 2.76%.

**Discount Rate**

The discount rate used to measure the total pension liability was calculated at 6.50% for the December 31, 2023 valuation. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 14 PENSION PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

**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:

	1% Decrease in Discount Rate (5.50%)	Current Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
Net TSERS Liability (Asset)	\$ 36,597,268	\$ 19,950,657	\$ 6,223,087

**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 \$6,280,355. At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience Changes of Assumptions	\$ 1,797,901	\$ 58,977
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,289,769	-
Employer Contributions Subsequent to the Measurement Date	1,211,582	-
Totals	4,711,260 \$ 11,010,512	- \$ 58,977

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the fiscal year ended June 30, 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:

<u>Year Ending June 30.</u>	<u>Amount</u>
2026	\$ 2,151,227
2027	4,526,274
2028	(85,080)
2029	(352,146)
Total	\$ 6,240,275

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 15 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.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

**Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting**

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

**Methods Used to Value Plan Investments**

Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2024 *Annual Comprehensive Financial Report*.

**Plan Descriptions**

**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.

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Plan Descriptions (Continued)**

**Health Benefits (Continued)**

*Plan Administration (Continued)*

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

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

*Benefits Provided*

Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 16. The plan options change when the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options.

Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

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

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Plan Descriptions (Continued)**

**Health Benefits (Continued)**

*Benefits Provided (Continued)*

Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

Section 35.21 (c) & (d) of Session Law 2017-57 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in the TSERS (or in an allowed local system unit), the CJRS or the 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.

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

*Contributions*

Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations 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 \$1,961,388 for the year ended June 30, 2025.

The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

In fiscal year 2023, the State Health Plan (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 non-employer 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 \$11,376.

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Plan Descriptions (Continued)**

**Disability Income**

*Plan Administration*

As discussed in Note 16, 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, the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. 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, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits, 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.

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Plan Descriptions (Continued)**

**Disability Income (Continued)**

*Benefits Provided (Continued)*

After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the University Employees' ORP.

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

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

*Contributions*

Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the 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 \$36,478 for the year ended June 30, 2025.

**Net OPEB Liability (Asset)**

**Retiree Health Benefit Fund**

At June 30, 2025, the College reported a liability of \$37,390,312 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 present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2024, the College's proportion on a projection was 0.10993%, which was an increase of 0.00176% from its proportion measured as of June 30, 2023, which was 0.10817%.

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Net OPEB Liability (Continued)**

Disability Income Plan of North Carolina

At June 30, 2025, the College reported an asset of \$37,918 for its proportionate share of the collective net OPEB asset for DIPNC. 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 0.11516%, which was an increase of 0.00294% from its proportion measured as of June 30, 2023, which was 0.11222%.

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.

	<u>Retiree Health Benefit Fund</u>	<u>Disability Income Plan of N.C.</u>
Valuation Date	December 31, 2023	December 31, 2023
Inflation	2.50%	2.50%
Salary Increases*	3.25-8.05%	3.25-8.05%
Investment Rate of Return**	6.50%	3.00%
Healthcare Cost Trend Rate - Medical***	6.50% Grading Down to 5.00% by 2030	N/A
Healthcare Cost Trend Rate - Prescription Drug***	10.00% Grading Down to 5.00% by 2033	N/A
Healthcare Cost Trend Rate - Prescription Drug Rebates***	7.00% Grading Down to 5.00% by 2033	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	Premium adjustments for IRA impact through 2027, 6.17% in 2028, down to 5.00% by 2034	N/A
Healthcare Cost Trend Rate - Administrative***	3.00%	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.

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Net OPEB Liability (Continued)**

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return Percent</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 annualized 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. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 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.

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Net OPEB Liability (Continued)**

*Actuarial Assumptions (Continued)*

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 the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

**Discount Rate**

The discount rate used to measure the total OPEB liability for RHBF was 3.93% at June 30, 2024 compared to 3.65% at June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 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 flows used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members.

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Net OPEB Liability (Continued)**

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the College's proportionate share of the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate 2.65%	Current Discount Rate 3.65%	1% Increase in Discount Rate 4.65%
Net RHBF Liability (Asset)	\$ 44,484,795	\$ 37,390,312	\$ 31,694,063
	1% Decrease in Discount Rate 2.00%	Current Discount Rate 3.00%	1% Increase in Discount Rate 4.00%
Net DIPNC Liability (Asset)	\$ (33,810)	\$ (37,918)	\$ (42,235)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability (asset) of the plans, as well as what the plans' net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Cost Trend Rates (Medical 4 - 5% Pharmacy 4 - 5% Pharmacy Rebate 4 - 5% Med. Advantage 4 - 5% Administrative 2%)	Current Healthcare Cost Trend Rates (Medical 5 - 6.5% Pharmacy 5 - 10% Pharmacy Rebate 5 - 7% Med. Advantage 0 - 5% Administrative 3%)	1% Increase in Healthcare Cost Trend Rates (Medical 6 - 7.5% Pharmacy 6 - 11% Pharmacy Rebate 6 - 8% Med. Advantage 0 - 6% Administrative 4%)
Net RHBF OPEB Liability (Asset)	\$ 30,863,019	\$ 37,390,312	\$ 45,841,887

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		\$ 667,660
DIPNC		26,586
Total OPEB Expense		\$ 694,246

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Net OPEB Liability (Continued)**

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2025, the College reported deferred outflows of resources related to OPEB from the following sources:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Expected and Actual Experience	\$ 304,753	\$ 15,286	\$ 320,039
Changes of Assumptions	9,005,114	565	9,005,679
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	160,224	29,768	189,992
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,354,224	13,624	2,367,848
Employer Contributions Subsequent to the Measurement Date	1,961,388	36,478	1,997,866
Totals	<u>\$ 13,785,703</u>	<u>\$ 95,721</u>	<u>\$ 13,881,424</u>

At June 30, 2025, the College reported deferred inflows of resources related to OPEB from the following sources:

	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Expected and Actual Experience	\$ -	\$ 43,613	\$ 43,613
Changes of Assumptions	4,874,933	17,666	4,892,599
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	874,579	-	874,579
Totals	<u>\$ 5,749,512</u>	<u>\$ 61,279</u>	<u>\$ 5,810,791</u>

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

<u>Year Ending June 30,</u>	<u>RHBF</u>	<u>DIPNC</u>
2026	\$ (153,469)	\$ (9,933)
2027	1,439,348	(6,003)
2028	2,860,581	8,333
2029	1,928,342	3,780
2030	1	1,787
Total	<u>\$ 6,074,803</u>	<u>\$ (2,036)</u>

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 16 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.

**Employee Benefit Plans**

**State Health Plan**

College employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. Certain plans also require contributions from employees. The Plan has contracted with third parties to process claims. See Note 15, Other Postemployment Benefits, for additional information regarding retiree health benefits.

**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 Employee' 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.

**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 15, long-term disability benefits are payable as other postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

**Other Risk Management and Insurance Activities**

**Public Officers' and Employees' Liability Insurance**

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

**GASTON COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 16 RISK MANAGEMENT (CONTINUED)**

**Other Risk Management and Insurance Activities (Continued)**

Automobile, Fire, and Other Property Losses

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

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

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. Losses from employee dishonesty for employees paid from County and Institutional funds are covered by a private insurance company policy with coverage of \$100,000 per occurrence and \$1,000 deductible.

Statewide Workers' Compensation Program

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

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

Other Insurance Held by the College

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. The College purchased School Leaders Error and Omissions Liability Coverage which covers Equal Opportunity occurrences. The policy carries a \$15,000 deductible for each occurrence.

The College purchased cybersecurity coverage which provides coverage for claims arising from privacy and security claims, computer fraud, funds transfer fraud, social engineering fraud, and business interruption. The aggregate cyber risk coverage limit is \$1,000,000, except for certain claims specifically identified in the policy which have a limit of \$100,000 or \$250,000. The policy carries a \$50,000 deductible per occurrence.

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 17 COMMITMENTS AND CONTINGENCIES**

**Commitments**

The College has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were \$46,997 at June 30, 2025.

**Pending Litigation and Claims**

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

**NOTE 18 RELATED PARTIES**

**Foundation**

The North Carolina Center for Applied Textile Technology Foundation is a separately incorporated nonprofit foundation associated with the College. This organization serves as a fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing textile equipment. 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. The College received no support from the Foundation for the year ended June 30, 2025.

**NOTE 19 NET POSITION RESTATEMENT**

**Correction of an Error in Previously Issued Financial Statements**

Net Position at July 1, 2024 was restated to correct errors that were identified during current Fiscal Year End closing which occurred in 2024. The error amount is made up of an overstatement of Capital Assets and Net Position by \$3,075,748.

	<u>Amount</u>
June 30, 2024, As Previously Reported	\$ 81,106,700
Restatement - Capital Asset Correction of Errors	<u>(3,075,748)</u>
June 30, 2024, As Adjusted or Restated	<u><u>\$ 78,030,952</u></u>

**GASTON COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2025**

**NOTE 20 SUBSEQUENT EVENTS**

The College has evaluated subsequent events through March 10, 2026, which is the date the financial statements were available to be issued.

**NOTE 21 AUDIT HOURS AND COST**

This audit required 350 audit hours at an approximate cost of \$45,000. The cost represents 0.02% of the College's total assets and 0.07% of total expenses subjected to audit.

**GASTON COLLEGE**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) - TSERS**  
**YEAR ENDED JUNE 30, 2025**  
**(LAST TEN FISCAL YEARS)**

<u>Fiscal Year Ending</u>	<u>Proportionate Share Percentage of Collective Net Pension Liability</u>	<u>Proportionate Share of TSERS Collective Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
6/30/2016	0.14997%	\$ 5,526,691	\$ 22,371,524	24.70%	94.64%
6/30/2017	0.14801%	13,603,648	22,837,649	59.57%	87.32%
6/30/2018	0.14508%	11,511,287	23,064,074	49.91%	89.51%
6/30/2019	0.13757%	13,696,592	22,463,562	60.97%	87.61%
6/30/2020	0.13114%	13,595,227	22,777,685	59.69%	87.56%
6/30/2021	0.14780%	15,061,417	22,638,532	66.53%	85.95%
6/30/2022	0.12567%	5,884,625	22,740,865	25.88%	94.86%
6/30/2023	0.12436%	18,457,807	23,252,559	79.38%	84.14%
6/30/2024	0.13082%	21,810,288	25,653,705	85.02%	82.97%
6/30/2025	0.13465%	19,950,657	27,210,909	73.32%	85.35%

**GASTON COLLEGE**  
**SCHEDULE OF COLLEGE CONTRIBUTIONS – TSERS**  
**YEAR ENDED JUNE 30, 2025**  
**(LAST TEN FISCAL YEARS)**

<u>Fiscal Year Ending</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2016	\$ 2,089,645	\$ 2,089,645	\$ -	\$ 22,837,649	9.15%
6/30/2017	2,300,991	2,300,991	-	23,064,074	9.98%
6/30/2018	2,421,572	2,421,572	-	22,463,562	10.78%
6/30/2019	2,799,377	2,799,377	-	22,777,685	12.29%
6/30/2020	2,936,218	2,936,218	-	22,638,532	12.97%
6/30/2021	3,361,100	3,361,100	-	22,740,865	14.78%
6/30/2022	4,198,790	4,198,790	-	23,252,559	18.06%
6/30/2023	4,458,614	4,458,614	-	25,653,705	17.38%
6/30/2024	4,799,966	4,799,966	-	27,210,909	17.64%
6/30/2025	4,711,260	4,711,260	-	28,059,915	16.79%

**GASTON COLLEGE**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY (ASSET) – RHBF**  
**YEAR ENDED JUNE 30, 2025**  
**(LAST TEN FISCAL YEARS)**

<u>Fiscal Year Ending</u>	<u>Proportionate Share Percentage of Collective Net OPEB Liability</u>	<u>Proportionate Share of Collective Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net P[EB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
6/30/2017	0.12534%	\$ 54,527,160	22,837,649	238.76%	2.41%
6/30/2018	0.12151%	39,838,354	23,064,074	172.73%	3.52%
6/30/2019	0.11846%	33,747,612	22,463,562	150.23%	4.40%
6/30/2020	0.11186%	35,393,207	22,777,685	155.39%	4.40%
6/30/2021	0.10282%	28,523,572	22,638,532	126.00%	6.92%
6/30/2022	0.10508%	5,884,625	22,740,865	25.88%	7.72%
6/30/2023	0.10234%	24,302,704	23,252,559	104.52%	10.58%
6/30/2024	0.10817%	28,825,741	25,653,705	112.36%	10.73%
6/30/2025	0.10993%	37,390,312	27,210,909	137.41%	9.79%

**GASTON COLLEGE**  
**SCHEDULE OF COLLEGE CONTRIBUTIONS – RHBFB**  
**YEAR ENDED JUNE 30, 2025**  
**(LAST TEN FISCAL YEARS)**

<u>Fiscal Year Ending</u>	<u>Proportionate Share Percentage of Collective Net OPEB Liability</u>	<u>Proportionate Share of Collective Net OPEB Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
6/30/2017	0.13012%	\$ 80,805	\$ 22,837,649	0.35%	116.06%
6/30/2018	0.12464%	76,180	23,064,074	0.33%	116.23%
6/30/2019	0.11772%	35,759	22,463,562	0.16%	108.47%
6/30/2020	0.11126%	48,009	22,777,685	0.21%	113.00%
6/30/2021	0.10527%	51,787	22,638,532	0.23%	115.57%
6/30/2022	0.10750%	21,017	22,740,865	0.09%	105.18%
6/30/2023	0.10645%	31,667	23,252,559	0.14%	90.34%
6/30/2024	0.11222%	29,846	25,653,705	0.12%	90.61%
6/30/2025	0.11516%	(37,918)	27,210,909	(0.14)%	114.99%

**GASTON COLLEGE**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY (ASSET) – DIPNC**  
**YEAR ENDED JUNE 30, 2025**  
**(LAST TEN FISCAL YEARS)**

Fiscal Year Ending	Contractually Required Contribution	Contributions in Relation to the Contractually Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2016	\$ 1,278,908	\$ 1,278,908	\$ -	\$ 22,837,649	5.60%
6/30/2017	1,340,023	1,340,023	-	23,064,074	5.81%
6/30/2018	1,359,046	1,359,046	-	22,463,562	6.05%
6/30/2019	1,428,161	1,428,161	-	22,777,685	6.27%
6/30/2020	1,464,713	1,464,713	-	22,638,532	6.47%
6/30/2021	1,519,090	1,519,090	-	22,740,865	6.68%
6/30/2022	1,377,801	1,377,801	-	23,252,559	5.93%
6/30/2023	1,767,540	1,767,540	-	25,653,705	6.89%
6/30/2024	1,942,843	1,942,843	-	27,210,909	7.14%
6/30/2025	1,961,388	1,961,388	-	28,059,915	6.99%

**GASTON COLLEGE**  
**SCHEDULE OF COLLEGE CONTRIBUTIONS – DIPNC**  
**YEAR ENDED JUNE 30, 2025**  
**(LAST TEN FISCAL YEARS)**

<u>Fiscal Year Ending</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2016	\$ 93,934	\$ 93,934	\$ -	\$ 22,837,649	0.41%
6/30/2017	87,643	87,643	-	23,064,074	0.38%
6/30/2018	31,449	31,449	-	22,463,562	0.14%
6/30/2019	31,889	31,889	-	22,777,685	0.14%
6/30/2020	22,639	22,639	-	22,638,532	0.10%
6/30/2021	20,467	20,467	-	22,740,865	0.09%
6/30/2022	21,017	21,017	-	23,252,559	0.09%
6/30/2023	25,654	25,654	-	25,653,705	0.10%
6/30/2024	29,932	29,932	-	27,210,909	0.11%
6/30/2025	36,478	36,478	-	28,059,915	0.13%

**GASTON COLLEGE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2025**

**NOTE 1 COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLAN**

**Changes in Benefit Terms**

<u>Fiscal Year Ending June 30.</u>	<u>Cost of Living Increase</u>
2016	N/A
2017	1.00%
2018	N/A
2019	N/A
2020	N/A
2021	N/A
2022	N/A
2023	N/A
2024	0.00%
2025	0.00%

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 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 1 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 payment does not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

**GASTON COLLEGE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

**NOTE 1 COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLAN  
(CONTINUED)**

**Changes in Benefit Terms (Continued)**

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 payment 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 in Calculations of Actuarially Determined Contributions**

An actual 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 14 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 the 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 in 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.

**GASTON COLLEGE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

**NOTE 1 COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PENSION PLAN  
(CONTINUED)**

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

**NOTE 2 COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT OPEB PLANS**

**Changes in 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 in 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 in 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 copays were adjusted for the 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 the DIPNC was eliminated for disabilities occurring on or after July 1, 2019.

**GASTON COLLEGE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

**NOTE 2 CHANGES OF BENEFIT TERMS – OPEB (CONTINUED)**

**Methods and Assumptions in Calculations of Actuarially Determined Contributions**

An actual 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 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 15 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 the 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 in Assumptions**

Consistent with prior years, for the actuarial valuation measured as of June 30, 2023 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.65% from 3.54% as of the June 30, 2022. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year-end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next five years. The expected impact from the Inflation Reduction Act on assumed Medicare Advantage rates was included. The terms of the Pharmacy Benefits Management contract effective January 1, 2023, and the terms of the third-party administrator contract effective January 1, 2025 were incorporated in the valuation.

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.

**GASTON COLLEGE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025**

**NOTE 2 CHANGES OF BENEFIT TERMS – OPEB (CONTINUED)**

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*.



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

Board of Directors  
Gaston College  
Dallas, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Gaston 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 Gaston College's basic financial statements, and have issued our report thereon dated March 10, 2026.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified a deficiency in internal control, described in the accompanying schedule of findings and responses item 2025-001 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

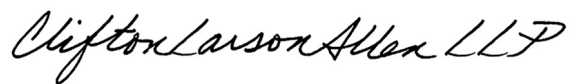
As part of obtaining reasonable assurance about whether Gaston College’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

**Gaston College’s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Gaston College’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Gaston College’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of This Report**

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



**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
March 10, 2026

**GASTON COLLEGE  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2025**

**2025 – 001: Grouped Asset Additions**

Type of Finding: Material Weakness in Internal Control over Financial Reporting

**Condition:** In response to the GASB implementation Guide 2021 -1 question 5.1, the College updated their capitalization policy to require the aggregation of related assets acquired together for capitalization above existing capitalization thresholds. The change in policy triggered an evaluation of prior year capital expenditures not previously capitalized.

**Criteria or specific requirement:** GASB implementation Guide 2021 -1 question 5.1 - Clarified the capitalization requirement for capital assets that are significant in the aggregate.

**Effect:** During the FY24 year-end close and financial reporting, the College evaluated prior year capital expenditures, noting that a restatement was required to capture the capitalization of prior year capital expenditures. However, during the booking of this restatement, the College double counted the assets additions, resulting in an overstatement of assets and net position.

**Cause:** The College incorrectly doubled the total group asset purchases within the FY24 Financial Statements due to deficiencies within the review and approval process of reconciliations and financial reporting.

**Repeat Finding:** No

**Recommendation:** We recommend the College evaluate controls around purchases of a group of assets acquired together to ensure proper recording and review is performed. Additionally, we recommend the College evaluate controls of nontraditional items, such as restatements of GASB standard implementations or interpretations.

**Views of responsible officials and planned corrective actions:** There is no disagreement with the audit finding.

**Actions planned in response to the finding:** The College has an established independent review process for all financial statement preparation and related calculations. During the fiscal year 2024 reporting cycle, a transition in management occurred, and the year-end closing entries had already been recorded prior to the arrival of new leadership. The error was identified during the preparation of the fiscal year 2025 closing entries as part of our standard review procedures. With the new management team now in place, we will continue to strengthen and adhere to our established preparation and review procedures to ensure accuracy moving forward.

**Planned completion date for corrective action plan:** Immediately in fiscal year 2025.



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