STATE OF
NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF

GUILFORD TECHNICAL COMMUNITY COLLEGE

JAMESTOWN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

Financial Statement Audit Report Of

Guilford Technical Community College

Jamestown, North Carolina

For the Year Ended June 30, 2002

STATE OF NORTH CAROLINA

Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet http://www.osa.state.nc.us

Ralph Campbell, Jr.
State Auditor

AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Trustees, Guilford Technical Community College

This report presents the results of our financial statement audit of Guilford Technical Community College, a component unit of the State of North Carolina, for the year ended June 30, 2002. Our audit was made by authority of Article 5A of Chapter 147 of the General Statutes.

The accounts and operations of the College are an integral part of the State's reporting entity represented in the State's *Comprehensive Annual Financial Report* (CAFR) and the State's *Single Audit Report*. In those reports, the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report,* the State Auditor also presents the audit results on the State's internal controls and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs.

As part of the audit work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to audit procedures as we considered necessary. In addition, we performed auditing procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Guilford Technical Community College. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is to present the results of our audit on the accompanying financial statements that relate solely to Guilford Technical Community College. A summary of our reporting objectives and audit results is:

1. **Objective** – To express an opinion on the accompanying financial statements that relate solely to Guilford Technical Community College.

   Results - The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with accounting principles generally accepted in the United States of America. These matters are more fully described in the Independent Auditor's Report on the Financial Statements.

2. **Objective –** To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the College's ability to record, process, summarize, and report financial data in the financial statements and present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

   Results - Our tests disclosed no material weaknesses in internal control over financial reporting and no instances of noncompliance which require disclosure herein under *Government Auditing Standards*. These matters are more fully described in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Ralph Campbell, Jr.

Ralph Campbell, Jr.
State Auditor

TABLE OF CONTENTS

STATE OF NORTH CAROLINA
Office of the State Auditor

Ralph Campbell, Jr.
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet http://www.osa.state.nc.us

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Guilford Technical Community College
Jamestown, North Carolina

We have audited the accompanying basic financial statements of Guilford Technical Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guilford Technical Community College as of June 30, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board 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. 38, *Certain Financial Statement Note Disclosures,* during the year ended June 30, 2002.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 3 to 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ralph Campbell, Jr.

Ralph Campbell, Jr.
State Auditor

April 4, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Guilford Technical Community College's annual financial report presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2002. College management has prepared this discussion, along with the financial statements and related note disclosures. It should be read in conjunction with and is qualified in its entirety by the financial statements and related notes. The financial statements, related notes, and this discussion are the responsibility of College management.

Using the Annual Report/Overview of Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. These financial statements differ significantly in both the form and the accounting principles utilized from prior financial statements presented. The financial statements presented in prior years focused on the accountability of funds, while these statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. The major reconciling item was depreciation on capital assets.

One of the most important questions asked about College finances is whether the College as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These Statements present financial information in a form similar to that used by corporations. The College's net assets are one indicator of the College's financial health. Over time, increases or decreases in net assets is one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies State and county appropriations and gifts as nonoperating revenues. Public colleges' dependency on State and county aid and gifts usually results in an operating deficit under new governmental accounting standards. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital and noncapital financing, and investing activities.

Financial Highlights

- The assets of GTCC exceeded its liabilities at fiscal year end June 30, 2002 by $66,968,990.32 (net assets).
- Operating revenues at June 30, 2002 increased over June 30, 2001, by $3.4 million, which includes a $1.6 million increase in tuition and fees and a $1.8 million increase from other sources.
- Operating expenses increased at June 30, 2002 by $2.6 million over the same period in fiscal year 2001. The increases were caused primarily by a $3.1 million increase in Scholarships and Fellowships, a $970 thousand increase in Personal Services, a $940 thousand decrease in Other Services, and a $610 thousand decrease in Supplies and Materials.
- Capital assets of GTCC increased by $7.27 million before depreciation increases of $2.10 million.
- The College did not incur debt during the current fiscal year.

Financial Analysis of the College's Funds

Net Assets - This schedule is prepared from the College's Statement of Net Assets, which is presented on an accrual basis of accounting.

Net Assets
as of June 30, 2002

	Amount
Current Assets	$ 16,240,585.00
Noncurrent Assets:	
Capital Assets, Net of Depreciation	53,186,541.50
Other	51,572.57
Total Assets	69,478,699.07
Current Liabilities	1,912,121.79
Noncurrent Liabilities	597,586.96
Total Liabilities	2,509,708.75
Net Assets:	
Invested in Capital Assets	53,186,541.50
Restricted for Expendable	9,621,697.09
Unrestricted	4,160,751.73
Total Net Assets	$ 66,968,990.32

Total net assets at June 30, 2002, increased by $3.7 million over the prior fiscal year 2001, primarily from capital assets.

Operating Revenues and Expenses - This schedule is prepared from the College's Statement of Revenues, Expenses, and Changes in Net Assets, which is presented on an accrual basis of accounting.

Operating Results
at June 30, 2002

	Amount
Operating Revenues:	
Student Tuition and Fees, Net	$ 6,203,124.34
Other	8,976,061.06
Total Operating Revenues	15,179,185.40
Operating Expenses:	
Personal Services	29,599,739.97
Supplies and Materials	5,159,942.43
Services	4,688,885.52
Scholarships and Fellowships	3,653,410.44
Utilities	1,342,155.00
Depreciation	2,070,596.11
Total Operating Expenses	46,514,729.47
Operating Loss	(31,335,544.07)
Nonoperating Revenues:	
State and Local Grants and Contracts	29,806,195.30
Investment Income	174,096.00
Net Nonoperating Revenues	29,980,291.30
Loss Before Other Revenues	(1,355,252.77)
Other Revenues	6,652,545.78
Increase in Net Assets	5,297,293.01
Net Assets, Beginning of Year, as Restated (Note 16)	61,671,697.31
Net Assets, End of Year	$ 66,968,990.32

The State and local appropriations are not classified as operating revenue per GASB 35; therefore, the College will usually show a significant operating loss.

Operating revenue increased overall by $3.4 million but the component parts have varying balance changes. The largest component changes were as follows:

- Tuition and fees increased by $1.6 million primarily from a $3.50 per semester credit hour increase for both resident and nonresident students in tuition rates legislated by the State of North Carolina and an increase in State appropriations due to enrollment growth.
- Federal grants and contracts had a $1.33 million increase that was directly related to the Pell Grant program.

Operating expenses for fiscal year 2002 increased $2.6 million over fiscal year 2001. Personal Services increased $970 thousand due to the effects of contractual increases for faculty and staff salaries and additional staff required for system conversion. Supplies and materials and services accounted for a $1.55 million decrease due to legislated spending cuts. Scholarships and fellowships increased $3.1 million due to Pell Grant activity. Depreciation increased $120 thousand due to the purchases of capital assets.

Other revenue decreased by $7.7 million in fiscal year 2002 from fiscal year 2001. State capital aid increased by a net of $800 thousand from a $2.1 million bond project addition and State certifications decreasing by $1.3 million due to spending limitation imposed by the State of North Carolina.

Restatements for both years occurred from implementing the new GASB pronouncement on depreciation.

Capital Asset and Debt Administration

Capital Assets - GTCC's investment in capital assets as of June 30, 2002, amounted to $53,186,541.50, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, infrastructure, equipment, and vehicles. The total increase in GTCC's investment in capital assets was $7.27 million.

Major capital asset events during the current fiscal year included the following:

- Purchased additional land at the Price campus for $350 thousand.
- Purchased additional land at the High Point and Jamestown campuses for $210 thousand.
- Completed the Burn Building and Training Track valued at $1.6 million.
- Purchased land for a new Greensboro Campus for $2.1 million.
- Additional $800 thousand construction in progress included the Technical Education Building, Adult Education Building, and the Entertainment Technical Building.
- Building improvements included $300 thousand to the High Point and Jamestown campuses for energy and safety improvements.
- Infrastructure additions and improvements totaling $1.4 million included a watershed pond and parking lots.
- Transferred $800 thousand from infrastructure to buildings.

- Completed recording the property swap for the J. C. Price Campus of $1.4 million to be in compliance with new governmental accounting standards.
- Library books totaling $2.9 million were written off per the Library policy established by the North Carolina Office of State Controller.

Capital Assets, Net
as of June 30, 2002

		Amount
Capital Assets:		
Land	$	5,125,518.79
Construction in Progress		2,736,122.68
Buildings		53,256,914.23
Infrastructure		3,193,328.67
Equipment		7,917,613.26
Total		72,229,497.63
Less Accumulated Depreciation		19,042,956.13
Net Capital Assets	$	53,186,541.50

Long-Term Debt - The College did not incur any long-term debt for fiscal year ending June 30, 2002.

Economic and Other Factors Impacting Future Periods

The economic position of GTCC is closely tied to the State of North Carolina. State appropriation for higher education comprises 41 percent of total revenues and is the largest source of funding. The appropriation for the upcoming year has not been finalized. As the national economy has slowed down, the State economy has followed. Plant closures and layoffs and changes in the tobacco industry have caused State revenues to decrease. This will most likely result in smaller increases in State appropriations for higher education. The specific impact on the College is uncertain.

The biggest challenges facing the College are:

- The level of federal, State, and local support,
- Construction of the new 65-acre Greensboro campus,
- Continued implementation of the new administrative computing system,
- Assessment and reallocation of available resources, and
- Re-accreditation by the Southern Association of Colleges and Schools.

Requests for Information

This financial report is designed to provide a general overview of GTCC's finances for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Guilford Technical Community College, Vice President for Administrative Services, 601 High Point Road, Jamestown, North Carolina, 27282.

Guilford Technical Community College
Statement of Net Assets
June 30, 2002 — ***Exhibit A***

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	3,940,916.65
Restricted Cash and Cash Equivalents		271,578.35
Receivables, Net (Note 3)		11,159,495.00
Inventories		682,956.00
Prepaid Items		177,682.00
Notes Receivable, Net (Note 3)		7,957.00
Total Current Assets		16,240,585.00
Noncurrent Assets:		
Restricted Due from Primary Government		51,572.57
Capital Assets, Net (Note 4)		53,186,541.50
Total Noncurrent Assets		53,238,114.07
Total Assets		69,478,699.07
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		1,594,479.34
Funds Held for Others		201,522.30
Long-Term Liabilities - Current Portion (Note 6)		116,120.15
Total Current Liabilities		1,912,121.79
Noncurrent Liabilities:		
Long-Term Liabilities (Note 6)		597,586.96
Total Noncurrent Liabilities		597,586.96
Total Liabilities		2,509,708.75
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		53,186,541.50
Restricted for:		
Expendable:		
Scholarships and Fellowships		11,902.00
Loans		9,793.00
Capital Projects		9,504,916.09
Other		95,086.00
Unrestricted		4,160,751.73
Total Net Assets	$	66,968,990.32

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

Guilford Technical Community College
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2002

Exhibit B

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	$	6,203,124.34
Federal Grants and Contracts		4,170,816.36
Sales and Services, Net (Note 8)		4,693,929.70
Other Operating Revenues		111,315.00
Total Operating Revenues		15,179,185.40
EXPENSES		
Operating Expenses:		
Personal Services		29,599,739.97
Supplies and Materials		5,159,942.43
Services		4,688,885.52
Scholarships and Fellowships		3,653,410.44
Utilities		1,342,155.00
Depreciation		2,070,596.11
Total Operating Expenses		46,514,729.47
Operating Loss		(31,335,544.07)
NONOPERATING REVENUES		
State Aid		21,083,126.00
County Appropriations		6,874,011.00
Noncapital Grants		1,844,229.30
Noncapital Gifts, Net (Note 8)		4,829.00
Investment Income, Net		174,096.00
Net Nonoperating Revenues		29,980,291.30
Loss Before Other Revenues, Expenses, Gains, and Losses		(1,355,252.77)
State Capital Aid		3,340,586.78
County Capital Appropriations		3,306,894.00
Capital Gifts, Net (Note 8)		5,065.00
Increase in Net Assets		5,297,293.01
NET ASSETS		
Net Assets, July 1, 2001 as Restated (Note 16)		61,671,697.31
Net Assets, June 30, 2002	$	66,968,990.32

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

Guilford Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2002

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Students - Tuition and Fees	$	6,170,524.45
Received from Grants and Contracts		4,170,665.84
Received from Sales and Services		4,958,314.32
Payments to Employees and Fringe Benefits		(29,667,211.90)
Payments to Vendors and Suppliers		(10,464,134.41)
Payments for Scholarships and Fellowships		(3,653,410.44)
Loans Issued to Students		(29,648.60)
Collection of Loans to Students		23,568.36
Other Payments		(51,613.06)
Net Cash Used by Operating Activities		(28,542,945.44)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		21,083,126.00
County Appropriations		6,874,011.00
Noncapital Grants Received		1,844,229.30
Noncapital Gifts and Endowments Received		4,829.00
Net Cash Provided by Noncapital Financing Activities		29,806,195.30
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		3,297,706.78
County Capital Appropriations		3,306,894.00
Capital Grants Received		(1,110.39)
Capital Gifts Received		5,065.00
Acquisition and Construction of Capital Assets		(7,218,673.18)
Net Cash Used by Capital and Related Financing Activities		(610,117.79)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments		172,119.65
Net Cash Provided by Investing Activities		172,119.65
Net Increase in Cash and Cash Equivalents		825,251.72
Cash and Cash Equivalents, July 1, 2001		3,387,243.28
Cash and Cash Equivalents, June 30, 2002	$	4,212,495.00

Guilford Technical Community College		
Statement of Cash Flows		***Exhibit C***
For the Fiscal Year Ended June 30, 2002		***Page 2***
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(31,335,544.07)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		2,070,596.11
Provision for Uncollectible Loans and Writeoffs		2,081.27
Changes in Assets and Liabilities:		
Receivables, Net		120,469.73
Inventories		(48,547.68)
Prepaid Items		68,537.06
Notes Receivable, Net		(6,080.24)
Accounts Payable and Accrued Liabilities		605,718.44
Deferred Revenue		(150.52)
Funds Held for Others		(51,613.06)
Compensated Absences		31,587.52
Net Cash Used by Operating Activities	$	(28,542,945.44)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Increase in Receivables Related to Nonoperating Income	$	42,880.00
The accompanying notes to the financial statements are an integral part of this statement.		

[This Page Left Blank Intentionally]

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements present all funds for which the College's Board of Trustees is financially accountable. Related foundations and similar non-profit corporations for which the College is not financially accountable are not part of the accompanying financial statements. These entities are not included because they are separately incorporated and there are neither common directors nor other evidence of common control.

B. **Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities,* effective for the College's year ended June 30, 2002, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

C. **Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

D. **Cash and Cash Equivalents –** This classification appears on the Statement of Net Assets and the Statement of Cash Flows and includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and short-term investments with the State Treasurer's Cash and Investment Pool (a governmental external investment pool). The short-term investment portfolio 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.

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

F. **Inventories** – Inventories, consisting of expendable supplies and merchandise for resale, are stated at cost using the last invoice cost.

G. **Capital Assets** – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of $5,000 at the date of acquisition and an expected useful life of one or more years. Library books are expensed.

Depreciation is computed using the straight-line and/or units of output method over the estimated useful lives of the assets, generally 10 to 25 years for general infrastructure, 15 to 40 years for buildings, and 5 to 15 years for equipment and vehicles.

H. **Restricted Assets** – Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

I. **Noncurrent Long-Term Liabilities –** Noncurrent long-term liabilities consist of compensated absences that will not be paid within the next fiscal year.

J. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous June 30th plus the leave earned, less the leave taken between July 1st and June 30th.

When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out method.

K. **Net Assets –** The College's net assets are classified as follows:

Invested in Capital Assets – This represents the College's total investment in capital assets.

Restricted Net Assets – Nonexpendable – Nonexpendable restricted net assets include 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 Assets – Expendable – Expendable restricted net assets include resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Assets – Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

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.

L. **Scholarship Discounts –** Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. 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 either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

M. **Revenue and Expense Recognition –** The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the College. Revenues from nonexchange transactions and State appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either capital or noncapital financing or investing activities. Operating expenses are all expense transactions incurred other than those related to capital or noncapital financing or investing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

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

O. **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 appropriation and county capital appropriation do not revert and are available for future use as approved by the county commissioners.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. **Deposits** - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with General Statute 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina or with the State Treasurer's Cash and Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was $3,650.00. The carrying amount of cash on deposit was $4,208,845.00 and the bank balance was $5,422,541.12.

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.

Cash on deposit at year end consisted of the following:

	Book Balance	Bank Balance
Cash on Deposit with State Treasurer	$ 3,828,762.37	$ 3,728,762.37
Cash on Deposit with Private Financial Institutions	380,082.63	1,693,778.75
	$ 4,208,845.00	$ 5,422,541.12

The cash on deposit with the State Treasurer is pooled with State agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool. These moneys are invested in accordance with General Statutes 147-69.1(c) and 147-69.2, and as required by law are "readily convertible into cash." All investments of the fund are held either by the Department of State Treasurer or agent in the State's name. The fund's uninvested cash is either covered by federal depository insurance or, pursuant to 20 NCAC 7, is collateralized under either the dedicated or pooling method.

The financial statements and disclosures for the State Treasurer's Cash and Investment Pool are included in the State of North Carolina's *Comprehensive Annual Financial Report.* An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.state.nc.us/ and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Of the cash on deposit with private financial institutions at June 30, 2002, $102,906.98 of the bank balance was covered by federal depository insurance, and $1,590,871.77 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

NOTE 3 - RECEIVABLES

Receivables at June 30, 2002 were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 55,266.99	$ (26,334.98)	$ 28,932.01
Accounts	278,518.98	(15,742.07)	262,776.91
Intergovernmental	10,833,011.05		10,833,011.05
Investment Earnings	15,007.68		15,007.68
Other	20,231.46	(464.11)	19,767.35
Total Current Receivables	$ 11,202,036.16	$ (42,541.16)	$ 11,159,495.00
Notes Receivable - Current:			
Institutional Student Loan Programs	$ 9,714.05	$ (1,757.05)	$ 7,957.00

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets is presented as follows:

	Balance July 1, 2001	Adjustments	Increases	Decreases	Balance June 30, 2002
Capital Assets, Non-Depreciable:					
Land	$ 2,421,956.26	$ (5,529.43)	$ 2,709,091.96	$ 0.00	$ 5,125,518.79
Construction in Progress	2,534,168.21	(1,678,883.26)	1,880,837.73		2,736,122.68
Total Capital Assets, Non-Depreciable	4,956,124.47	(1,684,412.69)	4,589,929.69		7,861,641.47
Capital Assets, Depreciable:					
Buildings	49,965,176.44	2,336,793.70	954,944.09		53,256,914.23
Machinery and Equipment	7,520,682.14		566,038.90	(169,107.78)	7,917,613.26
General Infrastructure	2,517,952.41	(652,381.01)	1,327,757.27		3,193,328.67
Total Capital Assets, Depreciable	60,003,810.99	1,684,412.69	2,848,740.26	(169,107.78)	64,367,856.16
Less Accumulated Depreciation:					
Buildings	12,890,831.47		1,300,041.19		14,190,872.66
Machinery and Equipment	2,987,058.34		672,830.80		3,659,889.14
General Infrastructure	1,069,431.86		122,762.47		1,192,194.33
Total Accumulated Depreciation	16,947,321.67		2,095,634.46		19,042,956.13
Total Capital Assets, Depreciable, Net	43,056,489.32	1,684,412.69	753,105.80	(169,107.78)	45,324,900.03
Capital Assets, Net	$ 48,012,613.79	$ 0.00	$ 5,343,035.49	$ (169,107.78)	$ 53,186,541.50

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2002 were as follows:

	Amount
Accounts Payable	$ 1,328,443.31
Accrued Payroll	183,544.85
Contract Retainage	67,600.90
Intergovernmental Payables	11,240.13
Other	3,650.15
Total Accounts Payable and Accrued Liabilities	$ 1,594,479.34

NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities is presented as follows:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Current Portion
Compensated Absences	$ 682,119.59	$ 709,859.16	$ (678,271.64)	$ 713,707.11	$ 116,120.15

NOTE 7 - LEASE OBLIGATIONS

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2002:

Fiscal Year	Amount
2003	$ 150,388.00
2004	137,251.00
2005	111,712.00
2006	30,000.00
Total Minimum Lease Payments	$ 429,351.00

Rental expense for all operating leases during the year was $218,759.88.

NOTE 8 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Net Revenues
Operating Revenues:				
Student Tuition and Fees	$ 7,654,026.45	$ 0.00	$ 1,450,902.11	$ 6,203,124.34
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	$ 347,344.41	$ 0.00	$ 0.00	$ 347,344.41
Student Union Services	180,875.58			180,875.58
Bookstore	3,522,847.19			3,522,847.19
Parking	96,516.75			96,516.75
Other	569,011.84	(505,298.74)		63,713.10
Sales and Services of Educational and Related Activities	482,632.67			482,632.67
Total Sales and Services	$ 5,199,228.44	$ (505,298.74)	$ 0.00	$ 4,693,929.70
Nonoperating - Noncapital Gifts	$ 4,829.00	$ 0.00	$ 0.00	$ 4,829.00
Capital Gifts	$ 5,065.00	$ 0.00	$ 0.00	$ 5,065.00

NOTE 9 - 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	Total
Instruction	$ 15,016,959.01	$ 741,746.27	$ 367,187.13	$ 15,409.19	$ 7,090.33	$ 0.00	$ 16,148,391.93
Public Service	3,676,788.84	236,975.89	1,023,336.17				4,937,100.90
Academic Support	2,364,524.38	111,286.67	68,425.27		100,749.01		2,644,985.33
Student Services	1,838,188.69	75,871.47	51,031.56	703,117.25	259.97		2,668,468.94
Institutional Support	3,364,703.95	346,653.66	2,186,409.54	10,665.68	3,742.00		5,912,174.83
Operations and Maintenance of Plant	2,458,638.75	435,469.55	784,404.35		1,230,313.69		4,908,826.34
Student Financial Aid	5,319.36		6,369.85	2,924,128.71			2,935,817.92
Auxiliary Enterprises	874,616.99	3,211,938.93	201,721.65	89.61			4,288,367.18
Depreciation						2,070,596.11	2,070,596.11
Total Operating Expenses	$ 29,599,739.97	$ 5,159,942.44	$ 4,688,885.52	$ 3,653,410.44	$ 1,342,155.00	$ 2,070,596.11	$ 46,514,729.48

NOTE 10 - PENSION PLANS

A. **Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (System) is a multiple-employer cost sharing defined benefit pension plan administered by the North Carolina State Treasurer.

After five years of creditable service, members of the Teachers' and State Employees' Retirement System qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of membership service (age 55 and 5 years of creditable service for law enforcement officers), reach age 60 with 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.81% of an average final compensation (based on the 4 consecutive years that produce the highest average) multiplied by the number of years of creditable service. Employees may retire with reduced benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of creditable service (age 50 with 15 years creditable service for law enforcement officers).

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by North Carolina General Statutes 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2002, these rates were set at

1.97% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2002, the College had a total payroll of $25,569,051.35, of which $20,144,607.68 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were $1,208,676.83 and $396,848.77, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2002, 2001, and 2000, which were $396,848.77, $1,043,960.59, and $1,458,773.16, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.state.nc.us/ and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

B. **Deferred Compensation and Supplemental Retirement Income Plans -** IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. There were no voluntary contributions by employees for the year ended June 30, 2002.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to $255,348.00 for the year ended June 30, 2002.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other non-profit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to $167,965.96 for the year ended June 30, 2002.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

A. **Health Care for Long-Term Disability Beneficiaries and Retirees** - The College participates in State-administered programs which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The College contributed 2.35% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended June 30, 2002, the College's total contribution to the Plan was $473,398.28. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report.*

B. **Long-Term Disability** - The College participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The College contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the DIPNC. For the fiscal year ended

June 30, 2002, the College's total contribution to the DIPNC was $104,751.96. The College assumes no liability for long-term disability benefits under the plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 12 - 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.

Tort claims of up to $500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $11,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the North Carolina Community College System Office directly to the private insurer.

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 used for instructional purposes are covered by liability insurance handled by the State Department of Insurance. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of $5,000,000 per occurrence and a $50,000 deductible.

The College also provides honesty coverage of $100,000 with a $250 deductible per employee dishonesty on all employees, including county and institutional fund employees. Loss of money and securities by other than employee dishonesty is also provided up to $25,000 with a $250 deductible for normal operations and up to $50,000 with a $250 deductible during registration periods. The College has a $2,000,000 school leaders' Error and Omissions policy purchased from a private insurance company.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan (Plan), a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third-party contractor. Effective for the October 1, 2001 through September 30, 2002 year, the Plan no longer offers health coverage through HMO plans.

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. The claims are covered by a self-insured fund.

Term life insurance of $25,000 to $50,000 is provided to eligible workers. This self-insured death benefit program is administered by the State Treasurer and funded via employer contributions.

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. **Commitments** - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $9,628,585.37 at June 30, 2002.

B. **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.

C. **Community College General Obligation Bonds** – The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The funds authorized are to be used solely to construct new buildings and to renovate and modernize existing buildings on the North Carolina Community College System campuses. The bond legislation specifies the amount of bond funding for each College campus as well as the intended amount for new construction and repair and replacement. The legislation further provides that the State Board of Community Colleges shall be responsible for the approval of projects in accordance with provisions of the legislation. The bonds are authorized to be issued over a six-year period beginning in 2001 at a level not to exceed amounts provided in the legislation. Using a cash flow financing approach, The Community College System's Office (CCSO), establishes annual amounts not to exceed for each approved project. The amounts not to exceed are subject to change due to actual cash availability and needs during the year. Subsequent to the bond sales and the availability of bond proceeds, CCSO notifies the Office of State Budget and Management (OSBM) of the amount not to exceed for the total of the approved projects. Within this amount, based on an official request of cash needs from the State Board of Community Colleges, OSBM authorizes allotments. These allotments are then recorded to specific community college allotment accounts by the CCSO. The College records the allotments as revenue on the accompanying financial statements. The College's remaining authorization $28,186,341 is contingent on future bond sales and CCSO allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

NOTE 14 - RELATED PARTIES

Foundation – The Guilford Technical Community College Foundation is a separately incorporated non-profit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net assets, or operational transactions of the Foundation, except for the distributions made and benefits provided by the Foundation. The distributions received and/or benefits provided approximated $208,249.30 for the year ended June 30, 2002.

Non-Profit Corporation - The GHG Construction Corporation is a separate corporation established to foster, promote, manage and develop the College's carpentry program. The records of the Corporation are maintained separately by the College. Because the Corporation is a separate entity, a separate report is prepared and provided to the directors of the Corporation by the Office of the State Auditor.

NOTE 15 - ACCOUNTING CHANGES

Effective July 1, 2001, the College implemented 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.* The financial statement presentation required by these Statements is a single-column enterprise activity rather than the fund-group perspective previously reported. Significant accounting changes in order to comply with the new requirements include adopting depreciation on capital assets, reporting revenues net of discounts and allowances, eliminating interfund activities, classifying activities as operating or nonoperating, classifying assets and liabilities as current or noncurrent, and prorating summer school activities to periods earned.

In addition, the College implemented GASB Statement No. 38, *Certain Financial Statement Note Disclosures.* Changes in existing disclosures include more detailed information on debt service requirements, obligations under leases, and short-term debt. New disclosures include variable debt interest information and the major components of receivable and payable balances.

NOTE 16 - NET ASSET RESTATEMENT

As referred to in Note 15, the College implemented 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.*

July 1, 2001 Fund Equity as previously reported	$ 81,480,062.95
Implementation of GASB 34/35	(19,808,365.64)
July 1, 2001 Net Assets as Restated	$ 61,671,697.31

Guilford Technical Community College
Schedule of General Obligation Bond Project Authorizations, Budgets, and Expenditures
For Project-to-Date as of June 30, 2002

Schedule 1

Capital Improvement Projects	Projected Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Expected Completion Date
Projects Approved by the State Board							
Classroom Building #1044	May 2001	$ 2,150,000.00	7,000,000.00	9,150,000.00	258,669.00	2.83%	Nov 2003
Land	Mar 2002	3,000,000.00	352,500.00	3,352,500.00	2,150,000.00	64.13%	Jun 2003
Classroom Building #1046	May 2001	4,250,000.00	5,000,000.00	9,250,000.00	264,277.00	2.86%	Jul 2003
Public Safety Building/Training Tower/Driving Track #888	Jan 2002	1,500,000.00	2,200,000.00	3,700,000.00	1,686,205.00	45.57%	Sep 2003
Land/Parking	Jan 2003	4,100,000.00	325,000.00	4,425,000.00	118,347.00	2.67%	Jan 2007
Classroom Building and Fire Suppression System	Mar 2003	3,600,382.00	45,000.00	3,645,382.00			Mar 2005
Roads, Parking, and Walkway Repair	May 2002	1,000,000.00	1,525,000.00	2,525,000.00	341,667.00	13.53%	Sep 2003
Business Careers Renovation	Sep 2003	1,500,000.00		1,500,000.00			Sep 2005
HVAC Renovations and Energy Upgrades	Jul 2003	1,923,774.00	1,070,664.00	2,994,438.00	18,650.00	0.62%	Aug 2004
Allied Health Building	Sep 2004	10,000,000.00		10,000,000.00			Sep 2006
Total All Projects		$ 33,024,156.00	$ 17,518,164.00	$ 50,542,320.00	$ 4,837,815.00		

Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The projects listed on this schedule are those funded or to be funded by bond proceeds from the general obligation bonds authorized by Senate Bill 912.

STATE OF NORTH CAROLINA
Office of the State Auditor

Ralph Campbell, Jr.
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet http://www.osa.state.nc.us

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

Board of Trustees
Guilford Technical Community College
Jamestown, North Carolina

We have audited the financial statements of Guilford Technical Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2002, and have issued our report thereon dated April 4, 2003.

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board 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. 38, *Certain Financial Statement Note Disclosures,* during the year ended June 30, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONCLUDED)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees and the State Board of Community Colleges, management and staff of the College, the Governor, the State Controller, the General Assembly, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Ralph Campbell, Jr.
State Auditor
April 4, 2003

DISTRIBUTION OF AUDIT REPORT

In accordance with General Statutes 147-64.5 and 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

EXECUTIVE BRANCH

The Honorable Michael F. Easley	Governor of North Carolina
The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
Mr. H. Martin Lancaster	President, North Carolina Community College System
Dr. Donald W. Cameron	President, Guilford Technical Community College
Ms. Rae Marie Smith	Vice President for Administrative Services Guilford Technical Community College
Mr. J. Patrick Danahy	Chairman, Board of Trustees Guilford Technical Community College

LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

Senator Marc Basnight, Co-Chairman	Representative James B. Black, Co-Chairman
Senator Charlie Albertson	Representative Richard T. Morgan, Co-Chairman
Senator Kever M. Clark	Representative Martha B. Alexander
Senator Daniel G. Clodfelter	Representative E. Nelson Cole
Senator Walter H. Dalton	Representative James W. Crawford, Jr.
Senator James Forrester	Representative William T. Culpepper, III
Senator Linda Garrou	Representative W. Pete Cunningham
Senator Wilbur P. Gulley	Representative Beverly M. Earle
Senator Kay R. Hagan	Representative Stanley H. Fox
Senator David W. Hoyle	Representative R. Phillip Haire
Senator Ellie Kinnaird	Representative Dewey L. Hill
Senator Jeanne H. Lucas	Representative Maggie Jeffus
Senator William N. Martin	Representative Edd Nye
Senator Stephen M. Metcalf	Representative William C. Owens, Jr.
Senator Eric M. Reeves	Representative Drew P. Saunders
Senator Larry Shaw	Representative Wilma M. Sherrill
Senator R. C. Soles, Jr.	Representative Joe P. Tolson
Senator David F. Weinstein	Representative Thomas E. Wright
	Representative Douglas Y. Yongue

Other Legislative Officials

Senator Anthony E. Rand	Majority Leader of the N. C. Senate
Senator Patrick J. Ballantine	Minority Leader of the N. C. Senate
Representative N. Leo Daughtry	N. C. House of Representatives
Mr. James D. Johnson	Director, Fiscal Research Division

June 10, 2003

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Internet: http://www.ncauditor.net

Telephone: 919/807-7500

Facsimile: 919/807-7647