

STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF GUILFORD TECHNICAL COMMUNITY COLLEGE

JAMESTOWN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2003

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, 2003

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Ralph Campbell, Jr.
State Auditor

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>

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, 2003. Our audit was made by authority of Article 5A of Chapter 147 of the *North Carolina 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.

AUDITOR'S TRANSMITTAL (CONCLUDED)

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.
State Auditor

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Ralph Campbell, Jr.
State Auditor

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>

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, 2003, 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, 2003, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 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), as listed in the table of contents, 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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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.
State Auditor

December 19, 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, 2003. College management has prepared this discussion, along with the financial statements and related notes to the financial statements. 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*. The financial statements presented focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

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 nonfinancial 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Highlights

- The assets of GTCC exceeded its liabilities at fiscal year end June 30, 2003 by \$91,170,052.91 (net assets). Net assets increased \$23.9 million over the prior fiscal year of 2002.
- Operating revenues at June 30, 2003 increased over June 30, 2002, by \$1.4 million.
- Operating expenses increased at June 30, 2003 by \$3.8 million over the same period in fiscal year 2002.
- Capital assets of GTCC increased by \$10.0 million before depreciation increases of \$1.9 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,	
	2003	2002
Current Assets	\$ 31,757,110.12	\$ 16,240,585.00
Noncurrent Assets		
Capital Assets, Net of Depreciation	61,643,713.32	53,468,774.21
Other	781,125.81	51,572.57
Total Assets	<u>\$ 94,181,949.25</u>	<u>\$ 69,760,931.78</u>
Current Liabilities	\$ 2,265,019.79	\$ 1,912,121.79
Noncurrent Liabilities	746,876.55	597,586.96
Total Liabilities	<u>\$ 3,011,896.34</u>	<u>\$ 2,509,708.75</u>
Net Assets		
Investment in Capital Assets	\$ 61,643,713.32	\$ 53,468,774.21
Restricted for: Expendable	25,029,238.51	9,621,697.09
Unrestricted	4,497,101.08	4,160,751.73
Total Net Assets	<u>\$ 91,170,052.91</u>	<u>\$ 67,251,223.03</u>

Total net assets at June 30, 2003, increased \$23.9 million over the prior fiscal year of 2002. The increase was primarily due to the passage of State and local construction bonds. Net receivables increased \$14.5 million as a result of the sale of local bonds. Receivables due from primary government increased \$730 thousand as related to State bonds. Net capital assets increased \$8.2 million, which included an increase of \$7.6 million for construction in progress and land increases of \$840 thousand.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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,	
	2003	2002
Operating Revenue		
Tuition and Fees	\$ 6,163,564.38	\$ 6,203,124.34
Other	10,453,069.90	8,976,061.06
Total	\$ 16,616,634.28	\$15,179,185.40
Less Operating Expenses		
Personal Services	\$ 31,239,725.51	\$29,599,739.97
Supplies and materials	7,228,375.49	5,159,942.43
Services	4,538,449.07	4,688,885.52
Scholarships and fellowships	4,005,331.36	3,653,410.44
Utilities	1,154,300.66	1,342,155.00
Depreciation	2,120,747.22	2,070,596.11
Total	\$ 50,286,929.31	\$46,514,729.47
Operating Loss	(33,670,295.03)	(31,335,544.07)
Nonoperating Revenue		
State/Local Grants and Contracts	\$ 31,195,156.35	\$29,806,195.30
Investment Income	173,187.05	174,096.00
Other Nonoperating Revenue	55,126.12	-
Total	\$ 31,423,469.52	\$29,980,291.30
Loss before other revenue	(2,246,825.51)	(1,355,252.77)
Other revenue	26,165,655.39	6,652,545.78
Increase in Net Assets	\$ 23,918,829.88	\$ 5,297,293.01
Net Assets, Beginning of Year,		
Restatement	\$ 67,251,223.03	\$61,671,697.31
Restatement, Capital Assets	\$ -	\$ 282,232.71
Net Assets, End of Year	\$ 91,170,052.91	\$67,251,223.03

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 \$1.4 million but the component parts have varying balance changes. The largest component changes were as follows:

- Federal grants and contracts' had a \$1.7 million increase that was directly related to the Pell Grant program.

Operating expenses for fiscal year 2003 increased by \$3.8 million over fiscal year 2002. Personal Services increased \$1.6 million due to the effects of contractual increases for faculty

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

and staff salaries, additional faculty needed due to enrollment growth, and additional staff required for system conversion. Expenses for supplies and materials increased \$2.1 million over fiscal year 2002. Instructional supplies and materials primarily accounted for this \$2.1 million increase. We did not experience a spending freeze in fiscal year 2003 as we did for fiscal year 2002.

Nonoperating revenue increased by \$1.4 million in fiscal year 2003 over fiscal year 2002. State appropriations increased \$753 thousand. Noncapital grants increased by \$387 thousand as the result of a grant from Golden Leaf for \$500 thousand and a decrease of \$117 thousand in revenues from the Partnership for Children grant.

Other revenue increased by \$19.5 million in fiscal year 2003 from fiscal year 2002. State capital aid/State capital grants increased by a net of \$1.9 million over fiscal year 2002. The county sold \$17.5 million for construction bonds in 2003.

Capital Asset and Debt Administration

Capital Assets. GTCC's investment in capital assets as of June 30, 2003, amounted to \$61,643,713.32, 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 \$8.2 million.

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

- Purchased additional land for the new Greensboro Campus for \$845 thousand.
- Purchased additional land at Jamestown campus for \$5 thousand.
- Sold 0.7 acres of land valued at \$10 thousand to North Carolina Department of Transportation (Bonner Road).
- Additional \$7.8 million construction in progress included the Technical Education Building, Adult Education Building, Entertainment Technical Building, Continuing Education Building, Public Safety Training Complex, and the Central Energy Plant.
- Building improvements totaling \$880 thousand included energy and safety improvements to Jamestown campus.
- Infrastructure additions and improvements totaling \$255 thousand included the Sears Water Fountain, parking lots, and walkways.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

	Capital Assets, Net As of June 30,	
	2003	2002
Capital Assets		
Land	\$ 5,966,122.01	\$ 5,125,518.79
Construction in Progress	10,361,084.70	2,736,122.68
Buildings	54,147,289.08	53,263,030.43
Infrastructure	3,608,657.83	3,193,328.67
Equipment	8,202,898.12	7,917,613.26
Total	\$82,286,051.74	\$72,235,613.83
Less Accumulated Depreciation	20,642,338.42	18,766,839.62
Net Capital Assets	\$61,643,713.32	\$53,468,774.21

Long-term debt. The College did not incur any long-term debt for fiscal year ending June 30, 2003.

Economic and Other Factors Impacting Future Periods

The economic position of GTCC is closely tied to that of the State of North Carolina. State appropriation for higher education comprises 29 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 remains sluggish, the State economy also lagged. North Carolina's economy and that of Guilford County is expected to rebound more slowly than the national economy. Plant closures and layoffs and changes in the tobacco industry continue to cause a decline in State revenues. 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
- 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, 2003

Exhibit A

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 3,840,476.23
Restricted Cash and Cash Equivalents	1,300,899.27
Receivables, Net (Note 3)	25,094,265.01
Due from State of North Carolina Component Units	500,000.00
Inventories	678,575.66
Prepaid Items	330,362.04
Notes Receivable, Net (Note 3)	12,531.91

Total Current Assets 31,757,110.12

Noncurrent Assets:

Restricted Due from Primary Government	781,125.81
Capital Assets - Nondepreciable (Note 4)	16,327,206.71
Capital Assets - Depreciable, Net (Note 4)	45,316,506.61

Total Noncurrent Assets 62,424,839.13

Total Assets 94,181,949.25

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	2,014,912.10
Deferred Revenue	283.84
Funds Held for Others	158,414.44
Long-Term Liabilities - Current Portion (Note 6)	91,409.41

Total Current Liabilities 2,265,019.79

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	746,876.55
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Total Noncurrent Liabilities 746,876.55

Total Liabilities 3,011,896.34

NET ASSETS

Invested in Capital Assets 61,643,713.32

Restricted for:

Expendable:

Scholarships and Fellowships	7,199.25
Loans	7,040.71
Capital Projects	24,787,979.87
Other	227,018.68

Unrestricted 4,497,101.08

Total Net Assets \$ 91,170,052.91

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, 2003***

Exhibit B

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	\$	6,163,564.38
Federal Grants and Contracts		5,939,173.02
Sales and Services, Net (Note 8)		4,435,707.35
Other Operating Revenues		78,189.53
Total Operating Revenues		16,616,634.28
EXPENSES		
Operating Expenses:		
Personal Services		31,239,725.51
Supplies and Materials		7,228,375.49
Services		4,538,449.07
Scholarships and Fellowships		4,005,331.36
Utilities		1,154,300.66
Depreciation		2,120,747.22
Total Operating Expenses		50,286,929.31
		(33,670,295.03)
NONOPERATING REVENUES (EXPENSES)		
State Aid		21,836,153.07
County Appropriations		7,125,053.89
Noncapital Grants		2,231,349.60
Noncapital Gifts, Net (Note 8)		2,599.79
Investment Income, Net		173,187.05
Other Nonoperating Revenues		55,126.12
Net Nonoperating Revenues		31,423,469.52
		(2,246,825.51)
State Capital Aid		1,706,718.11
County Capital Appropriations		20,786,569.11
Capital Grants		3,525,605.67
Capital Gifts, Net (Note 8)		146,762.50
Increase in Net Assets		23,918,829.88
NET ASSETS		
Net Assets, July 1, 2002 as Restated (Note 15)		67,251,223.03
Net Assets, June 30, 2003	\$	91,170,052.91
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, 2003		Exhibit C
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	\$	27,365,316.34
Payments to Employees and Fringe Benefits		(31,057,829.95)
Payments to Vendors and Suppliers		(12,692,816.29)
Payments for Scholarships and Fellowships		(4,005,331.36)
Loans Issued to Students		(29,983.76)
Collection of Loans to Students		23,026.88
Other Payments		(175,667.94)
Net Cash Used by Operating Activities		(20,573,286.08)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		21,836,153.07
County Appropriations		7,125,053.89
Noncapital Grants Received		1,731,349.60
Noncapital Gifts and Endowments Received		2,599.79
Net Cash Provided by Noncapital Financing Activities		30,695,156.35
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		977,164.87
County Capital Appropriations		20,786,569.11
Capital Grants Received		(20,933,916.83)
Capital Gifts Received		141,412.50
Proceeds from Sale of Capital Assets		22,075.00
Principal Paid on Capital Debt and Leases		(10,361,219.44)
Net Cash Used by Capital and Related Financing Activities		(9,367,914.79)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		174,925.02
Net Cash Provided by Investing Activities		174,925.02
Net Increase in Cash and Cash Equivalents		928,880.50
Cash and Cash Equivalents, July 1, 2002		4,212,495.00
Cash and Cash Equivalents, June 30, 2003	\$	5,141,375.50
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$	(33,670,295.03)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		2,120,747.22
Provision for Uncollectible Loans and Write-Offs		2,381.97
Miscellaneous Nonoperating Income		103,934.23
Changes in Assets and Liabilities:		
Receivables, Net		10,511,774.39
Inventories		4,380.34
Prepaid Items		(152,680.04)
Notes Receivable, Net		(6,956.88)
Accounts Payable and Accrued Liabilities		431,543.37
Deferred Revenue		413.36
Funds Held for Others		(43,107.86)
Compensated Absences		124,578.85
Net Cash Used by Operating Activities	\$	(20,573,286.08)

Guilford Technical Community College		
Statement of Cash Flows		Exhibit C
For the Fiscal Year Ended June 30, 2003		Page 2
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current Assets:		
Cash and Cash Equivalents	\$	3,840,476.23
Restricted Cash and Cash Equivalents		1,300,899.27
Total Cash and Cash Equivalents - June 30, 2003	\$	<u>5,141,375.50</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Assets Acquired through a Gift	\$	5,350.00
Increase in Receivables Related to Nonoperating Income		25,677,835.61
The accompanying notes to the financial statements are an integral part of this Statement.		

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GUILFORD TECHNICAL COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

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 nonprofit 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*, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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.
- D. Cash and Cash Equivalents** – This classification includes petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment portfolio. 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, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** – Inventories, consisting of expendable supplies, postage and fuel and merchandise for resale are valued 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 more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.
- Depreciation is computed using the straight-line 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** – Unexpended capital contributions are classified as restricted assets because their use is limited by donor/grantor agreements. Certain other assets are classified as restricted because their use is limited by external parties or statute.
- I. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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.

In addition to the vacation leave described above, compensated absences includes the accumulated unused portion of the special annual leave bonus awarded by the College to eligible regular employees as of September 30, 2002. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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 classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, State and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.
- Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State aid that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.
- 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, the duplicating center, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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 Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$3,750.00 The carrying amount of cash on deposit was \$5,137,625.50 and the bank balance was \$6,222,604.12.

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	\$ 4,807,076.94	\$ 4,607,076.94
Cash on Deposit with Private Financial Institutions	330,548.56	1,615,527.18
	\$ 5,137,625.50	\$ 6,222,604.12

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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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, 2003, \$107,043.61 of the bank balance was covered by federal depository insurance, and \$1,508,483.57 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, 2003 were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 405,061.78	\$ 85,901.26	\$ 319,160.52
Accounts	138,233.00		138,233.00
Intergovernmental	24,513,991.06		24,513,991.06
Investment Earnings	13,270.03		13,270.03
Other	110,669.96	1,059.56	109,610.40
	<u>\$ 25,181,225.83</u>	<u>\$ 86,960.82</u>	<u>\$ 25,094,265.01</u>
Notes Receivable Current:			
Institutional Student Loan Programs	<u>\$ 16,670.48</u>	<u>\$ 4,138.57</u>	<u>\$ 12,531.91</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2003, is presented as follows:

	Balance July 1, 2002	Adjustments	Increases	Decreases	Balance June 30, 2003
Capital Assets, Nondepreciable:					
Land	\$ 5,125,518.79	\$ 0.00	\$ 850,665.22	\$ 10,062.00	\$ 5,966,122.01
Construction in Progress	2,736,122.68	(160,000.00)	7,784,962.02		10,361,084.70
Total Capital Assets, Nondepreciable	<u>7,861,641.47</u>	<u>(160,000.00)</u>	<u>8,635,627.24</u>	<u>10,062.00</u>	<u>16,327,206.71</u>
Capital Assets, Depreciable:					
Buildings	53,263,030.43		884,258.65		54,147,289.08
Machinery and Equipment	7,917,613.26		591,354.39	306,069.53	8,202,898.12
General Infrastructure	3,193,328.67	160,000.00	255,329.16		3,608,657.83
Total Capital Assets, Depreciable	<u>64,373,972.36</u>	<u>160,000.00</u>	<u>1,730,942.20</u>	<u>306,069.53</u>	<u>65,958,845.03</u>
Less Accumulated Depreciation:					
Buildings	14,170,146.52		1,320,017.68		15,490,164.20
Machinery and Equipment	3,659,889.14		633,781.65	245,248.42	4,048,422.37
General Infrastructure	936,803.96		166,947.89		1,103,751.85
Total Accumulated Depreciation	<u>18,766,839.62</u>	<u>0.00</u>	<u>2,120,747.22</u>	<u>245,248.42</u>	<u>20,642,338.42</u>
Total Capital Assets, Depreciable, Net	<u>45,607,132.74</u>	<u>160,000.00</u>	<u>(389,805.02)</u>	<u>60,821.11</u>	<u>45,316,506.61</u>
Capital Assets, Net	<u>\$ 53,468,774.21</u>	<u>\$ 0.00</u>	<u>\$ 8,245,822.22</u>	<u>\$ 70,883.11</u>	<u>\$ 61,643,713.32</u>

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2003 were as follows:

	Amount
Accounts Payable	\$ 1,366,222.72
Accrued Payroll	240,861.56
Contract Retainage	385,215.13
Intergovernmental Payables	8,033.95
Other	14,578.74
Total Accounts Payable and Accrued Liabilities	<u>\$ 2,014,912.10</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - LONG-TERM LIABILITIES

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

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2003</u>	<u>Current Portion</u>
Compensated Absences	\$ 713,707.11	\$ 866,163.94	\$ 741,585.09	\$ 838,285.96	\$ 91,409.41

NOTE 7 - LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2003:

<u>Fiscal Year</u>	<u>Amount</u>
2004	\$ 146,149.00
2005	124,014.00
2006	<u>35,857.00</u>
Total Minimum Lease Payments	<u>\$ 306,020.00</u>

Rental expense for all operating leases during the year was \$199,019.14.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	\$ 8,210,136.00	\$ 0.00	\$ 2,046,571.62	\$ 6,163,564.38
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 343,460.41	\$ 0.00	\$ 0.00	343,460.41
Student Union Services	2,898.15			2,898.15
Bookstore	3,767,558.37		277,679.61	3,489,878.76
Child Care Center	426,080.94			426,080.94
Other	614,940.69	533,263.40		81,677.29
Sales and Services of Education and Related Activities	91,711.80			91,711.80
Total Sales and Services	\$ 5,246,650.36	\$ 533,263.40	\$ 277,679.61	\$ 4,435,707.35
Nonoperating - Noncapital Gifts	\$ 2,599.79	\$ 0.00	\$ 0.00	\$ 2,599.79
Capital Gifts	\$ 146,762.50	\$ 0.00	\$ 0.00	\$ 146,762.50

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	\$ 19,386,286.34	\$ 2,429,854.98	\$ 953,309.11	\$ 11,968.00	\$ 0.00	\$ 0.00	\$ 22,781,418.43
Public Service			2,340.00				2,340.00
Academic Support	2,530,052.40	432,400.44	169,691.62				3,132,144.46
Student Services	1,977,280.71	133,064.11	51,819.08	75,377.37			2,237,541.27
Institutional Support	3,738,813.32	585,348.12	1,830,226.43	26,371.83			6,180,759.70
Operations and Maintenance of Plant	2,702,544.35	304,247.39	1,319,873.65		1,154,300.66		5,480,966.05
Student Financial Aid	9,312.69	1,417.62	10,715.10	3,891,614.16			3,913,059.57
Auxiliary Enterprises	895,435.70	3,342,042.83	200,474.08				4,437,952.61
Depreciation						2,120,747.22	2,120,747.22
Total Operating Expenses	\$ 31,239,725.51	\$ 7,228,375.49	\$ 4,538,449.07	\$ 4,005,331.36	\$ 1,154,300.66	\$ 2,120,747.22	\$ 50,286,929.31

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 cost sharing multiple-employer defined benefit pension plan administered by the North Carolina State Treasurer.

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, 2003, the General Assembly required no contribution by employers and 6% of covered payroll for members.

For the year ended June 30, 2003, the College had a total payroll of \$27,106,942.28, of which \$20,813,183.25 was covered under the Teachers' and State Employees' Retirement System. Total employee contributions for pension benefits for the year were \$1,248,791.41. No employer contributions were required. The College made one hundred percent of its annual required contributions for the years ended June 30, 2003, 2002, and 2001, which were \$0.00, \$396,848.77, and \$1,043,960.59, 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*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2003.

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 except for a 5% employer contribution for the College's law enforcement officers, which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of College law enforcement officers for the year ended June 30, 2003 were \$20,148.69. The voluntary contributions by employees amounted to \$282,148.69 for the year ended June 30, 2003.

IRC Section 403(b) Plan - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b). 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 nonprofit 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 \$147,620.83 for the year ended June 30, 2003.

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, 2003, the College's total contribution to the Plan was

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

\$489,109.81. 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 to the DIPNC. For the fiscal year ended June 30, 2003, the College's total contribution to the DIPNC was \$108,228.55. 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 also has \$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.

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. The College purchases two excess workers' compensation policies for coverage beyond the self-insured fund to provide coverage up to \$15,000,000.

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 \$9,144,772.96 at June 30, 2003.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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 were authorized for issuance 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 of \$26,905,157.14 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.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 14 - RELATED PARTIES

Foundation – The Guilford Technical Community College Foundation is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net 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 \$356,800.00 for the year ended June 30, 2003.

Nonprofit 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 - NET ASSET RESTATEMENTS

As of July 1, 2002, net assets as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2002 Net Assets as Previously Reported	\$ 66,968,990.32
Restatements: To adjust Capital Assets	<u>282,232.71</u>
July 1, 2002 Net Assets as Restated	<u><u>\$ 67,251,223.03</u></u>

NOTE 16 - SUBSEQUENT EVENTS

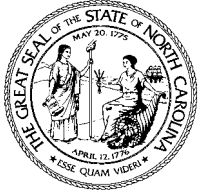
Subsequent to fiscal year end, the College sold the JC Price Campus, located in Greensboro, for \$1,800,000.00. The sale took place on November 30, 2003. The land and buildings were included in the financial statements under Capital Assets at a net book value of \$2,827,186.00.

***Guilford Technical Community College
Schedule of General Obligation Bond Project Authorizations,
Budgets, and Expenditures
For Project-to-Date as of June 30, 2003***

Schedule 1

Capital Improvement Projects	Projected Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Expected Completion Date
<i>Projects Approved by the State Board</i>							
Central Energy Plant for GSO Classrooms #1303	Oct 2003	\$ 2,150,000.00	\$ 50,000.00	\$ 2,200,000.00	\$ 105,854.50	4.81%	May 2004
Land	Mar 2002	3,000,000.00	352,500.00	3,352,500.00	2,952,535.22	88.07%	Jan 2004
Classroom Building #1046	May 2001	4,250,000.00	5,000,000.00	9,250,000.00	7,719,108.79	83.45%	Dec 2003
Public Safety Building/Training Tower/Driving Track #888	Jan 2002	1,500,000.00	2,200,000.00	3,700,000.00	2,536,250.35	68.55%	Apr 2004
Land/Parking	Jan 2003	4,100,000.00	325,000.00	4,425,000.00	5,250.00	0.12%	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	70,606.85	2.80%	Mar 2004
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	951,743.75	31.78%	Aug 2004
Allied Health Building	Sep 2004	10,000,000.00		10,000,000.00			Sep 2006
Total All Projects		\$ 33,024,156.00	\$ 10,568,164.00	\$ 43,592,320.00	\$ 14,341,349.46		

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.



Ralph Campbell, Jr.
State Auditor

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>

**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, 2003, and have issued our report thereon dated December 19, 2003.

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*.

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

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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

December 19, 2003

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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.

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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

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Mr. James D. Johnson	Director, Fiscal Research Division
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February 2, 2004

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