

# **STATE OF NORTH CAROLINA**

## **FINANCIAL STATEMENT REVIEW REPORT OF GUILFORD TECHNICAL COMMUNITY COLLEGE**

**JAMESTOWN, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2004**

**OFFICE OF THE STATE AUDITOR**

**LESLIE W. MERRITT, JR., CPA, CFP**

**STATE AUDITOR**

# **FINANCIAL STATEMENT REVIEW REPORT OF**

## **GUILFORD TECHNICAL COMMUNITY COLLEGE**

**JAMESTOWN, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2004**

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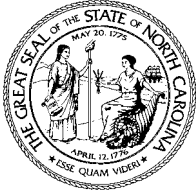
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Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

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**REVIEWER'S TRANSMITTAL**

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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 review of Guilford Technical Community College, a component unit of the State of North Carolina, for the year ended June 30, 2004. Our review was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes* and was conducted in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. The objective of a review is to achieve limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with accounting principles generally accepted in the United States of America.

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 work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to review procedures, as we considered necessary. In addition, we performed review procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Guilford Technical Community College. As a result of our review, we are not aware of any material modifications necessary for the accompanying financial statements to be in conformity with accounting principles generally accepted in the United States of America. These matters are more fully described in the Independent Accountant's Review Report on the financial statements.

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

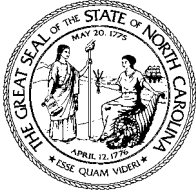
*Leslie W. Merritt, Jr.*

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

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Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

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Board of Trustees  
Guilford Technical Community College  
Jamestown, North Carolina

We have reviewed the accompanying financial statements of Guilford Technical Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2004, which collectively comprise Guilford Technical Community College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the College's management. We did not review the financial statements of Guilford Technical Community College Foundation, Inc., which represents 100% of the College's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our report, insofar as it relates to the amounts included for those entities, is based on the report of the other auditors.

A review consists principally of inquiries of College personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, 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. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Our review was conducted for the purpose of expressing limited assurance that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with generally accepted accounting principles. Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT (CONCLUDED)

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Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

A handwritten signature in black ink that reads "Leslie W. Merritt, Jr." with a stylized flourish at the end.

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

May 5, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2004. 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*. 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 Guilford Technical Community College (GTCC) exceeded its liabilities at fiscal year end June 30, 2004, by \$82,848,066.35 (net assets). Net assets decreased \$8.3 million over the 2003 fiscal year;
- Operating revenues at June 30, 2004, increased over June 30, 2003, by \$2 million;
- Operating expenses increased at June 30, 2004, by \$1 million over the same period in fiscal year 2003;
- Capital assets of GTCC increased by \$10.8 million before depreciation increases of \$1.6 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,

	2004	2003
<b>Assets</b>		
Current Assets	\$ 12,398,216.98	\$ 31,757,110.12
Noncurrent Assets		
Capital Assets, Net of Depreciation	70,831,365.06	61,643,713.32
Other	4,037,352.16	781,125.81
Total Assets	87,266,934.20	94,181,949.25
<b>Liabilities</b>		
Current Liabilities	3,442,856.06	2,265,019.79
Noncurrent Liabilities	976,011.79	746,876.55
Total Liabilities	4,418,867.85	3,011,896.34
<b>Net Assets</b>		
Investment in Capital Assets	70,831,365.06	61,643,713.32
Restricted for:		
Expendable	6,408,094.22	25,029,238.51
Unrestricted	5,608,607.07	4,497,101.08
Total Net Assets	\$ 82,848,066.35	\$ 91,170,052.91

Total net assets at June 30, 2004, decreased \$8.3 million over the 2003 fiscal year. The decrease was primarily due to a change in accounting principle related to a change in the method of recognizing revenue for county bond issuances. The net effect of the change was a



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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cumulative reduction in earnings as of July 1, 2003, in the amount of \$24.3 million. The remainder of the changes were as a result of increases in:

- Capital assets in the amount of \$9.2 million, which included an increase of \$7.8 million for buildings and an increase in construction in progress of \$1.7 million;
- Receivables due from primary government in the amount of \$3.2 million related to State bonds;
- An increase in cash balances in the amount of \$2.9 million.

### **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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Operating Results at June 30,

	2004	2003
<b>Operating Revenue:</b>		
Student Tuition and Fees, Net	\$ 5,975,436.73	\$ 6,163,564.38
Other	12,616,348.49	10,453,069.90
Total Operating Revenues	18,591,785.22	16,616,634.28
<b>Less Operating Expenses:</b>		
Salaries and Benefits	32,415,863.37	31,239,725.51
Supplies and Materials	6,416,705.16	7,228,375.49
Services	4,307,736.36	4,538,449.07
Scholarships and Fellowships	4,584,232.49	4,005,331.36
Utilities	1,230,019.17	1,154,300.66
Depreciation	2,356,441.34	2,120,747.22
Total Operating Expenses	51,310,997.89	50,286,929.31
Operating Loss	(32,719,212.67)	(33,670,295.03)
<b>Nonoperating Revenue (Expenses):</b>		
State /Local Grants and Contracts	30,691,199.22	31,195,156.35
Investment Income	204,690.52	173,187.05
Other Nonoperating Revenue (Expenses)	(1,084,855.88)	55,126.12
Net Nonoperating Revenue	29,811,033.86	31,423,469.52
Loss Before Other Revenue	(2,908,178.81)	(2,246,825.51)
Other Revenue	18,859,368.42	26,165,655.39
Increase in Net Assets	15,951,189.61	23,918,829.88
Net Assets, Beginning of Year	91,170,052.91	67,251,223.03
Restatement - Note 16	(24,273,176.17)	
Net Assets, End of Year	\$ 82,848,066.35	\$ 91,170,052.91

The State and local appropriations are not classified as operating revenue per GASB Statement No. 35; therefore, the College will usually show a significant operating loss.

Operating revenue increased overall by \$2 million but the component parts have varying balance changes. The largest component change was 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 2004 increased by \$1 million over fiscal year 2003. Salaries and Benefits increased \$1.2 million due to the effects of contractual increases for faculty and staff salaries, additional faculty needed due to enrollment growth, and additional

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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staff required to support growth. Expenses for supplies and materials decreased \$811,670.33 over fiscal year 2003. This reduction was primarily due to cost management of program expenses and reductions in minor equipment expenditures.

Total nonoperating revenue decreased by \$1.6 million in fiscal year 2004 over fiscal year 2003. State appropriations decreased \$655,535.67 and noncapital grants decreased by \$405,635.97. County appropriations increased \$558,824.49 while other nonoperating revenues decreased by \$1.2 million as a result of loss on the sale of a capital asset.

Other revenue decreased by \$7.3 million in fiscal year 2004 from fiscal year 2003. State capital aid/county capital appropriations decreased by a net of \$4.7 million and capital grants and gifts decreased by \$2.6 million from fiscal year 2003.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

GTCC's investment in capital assets as of June 30, 2004, amounted to \$70,831,365.06, 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 \$9.2 million.

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

- Purchased additional land at Jamestown campus for \$293,000;
- Sold JC Price Campus valued at \$2.6 million for buildings and \$359,905.90 for land to Greensboro College;
- Additional \$11.2 million construction in progress included the new Greensboro Campus, Entertainment Technical building and the Public Safety Training Complex. Of the total amount in construction in progress, approximately \$9.6 million was completed and transferred to buildings;
- Infrastructure additions and improvements totaling \$437,749.58 included the parking for the High Point campus and other signage, parking lots, and walkways;
- Equipment additions totaling \$1.4 million included an airplane donated to the Aviation program in the amount of \$1 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

### Capital Assets, Net , As of June 30,

	2004	2003
Capital Assets		
Land	\$ 5,899,344.28	\$ 5,966,122.01
Construction in Progress	12,039,715.33	10,361,084.70
Buildings	61,999,273.76	54,147,289.08
Infrastructure	4,046,407.41	3,608,657.83
Equipment	9,128,743.96	8,202,898.12
Total	93,113,484.74	82,286,051.74
Less Accumulated Depreciation	22,282,119.68	20,642,338.42
Net Capital Assets	\$ 70,831,365.06	\$ 61,643,713.32

### Long-Term Debt

The College did not incur any long-term debt for the fiscal year ending June 30, 2004.

### Economic and Other Factors Impacting Future Periods

The economic position of GTCC is closely tied to that of the State of North Carolina. State appropriations for higher education comprises 31 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;
- Continued implementation of the new administrative computing system;
- Assessment and reallocation of available resources.

### 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, 2004***

***Exhibit A-1***

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 4,783,794.06
Restricted Cash and Cash Equivalents	3,258,849.78
Receivables, Net (Note 3)	2,668,191.24
Due from State of North Carolina Component Units	500,000.00
Inventories	661,298.33
Prepaid Items	524,147.35
Notes Receivable, Net (Note 3)	1,936.22
Total Current Assets	<u>12,398,216.98</u>

Noncurrent Assets:

Restricted Due from Primary Government	4,037,352.16
Capital Assets - Nondepreciable (Note 4)	17,939,059.61
Capital Assets - Depreciable, Net (Note 4)	52,892,305.45
Total Noncurrent Assets	<u>74,868,717.22</u>
Total Assets	<u>87,266,934.20</u>

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	3,252,014.07
Deferred Revenue	190.84
Funds Held for Others	65,617.53
Long-Term Liabilities - Current Portion (Note 6)	125,033.62
Total Current Liabilities	<u>3,442,856.06</u>

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	976,011.79
Total Liabilities	<u>4,418,867.85</u>

**NET ASSETS**

Invested in Capital Assets	70,831,365.06
Restricted for:	
Expendable:	
Scholarships and Fellowships	8,351.06
Loans	2,657.08
Capital Projects	6,002,791.16
Other	394,294.92
Unrestricted	5,608,607.07
Total Net Assets	<u>\$ 82,848,066.35</u>

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

***Guilford Technical Community College  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
For the Fiscal Year Ended June 30, 2004***

***Exhibit A-2***

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net (Note 8)	\$ 5,975,436.73
Federal Grants and Contracts	7,654,570.20
State and Local Grants and Contracts	9,123.37
Sales and Services, Net (Note 8)	4,868,905.03
Other Operating Revenues	83,749.89

Total Operating Revenues	<u>18,591,785.22</u>
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**EXPENSES**

Operating Expenses:

Salaries and Benefits	32,415,863.37
Supplies and Materials	6,416,705.16
Services	4,307,736.36
Scholarships and Fellowships	4,584,232.49
Utilities	1,230,019.17
Depreciation	2,356,441.34

Total Operating Expenses	<u>51,310,997.89</u>
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Operating Loss	<u>(32,719,212.67)</u>
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**NONOPERATING REVENUES (EXPENSES)**

State Aid	21,180,617.40
County Appropriations	7,683,878.38
Noncapital Grants	1,825,713.63
Noncapital Gifts	989.81
Investment Income, Net	204,690.52
Other Nonoperating Expenses	(1,084,855.88)

Net Nonoperating Revenues	<u>29,811,033.86</u>
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Loss Before Other Revenues	(2,908,178.81)
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State Capital Aid	8,545,393.15
County Capital Appropriations	9,209,827.46
Capital Grants	71,132.81
Capital Gifts	1,033,015.00

Increase in Net Assets	15,951,189.61
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**NET ASSETS**

Net Assets, July 1, 2003 as Restated (Note 16)	<u>66,896,876.74</u>
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Net Assets, June 30, 2004	<u><u>\$ 82,848,066.35</u></u>
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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, 2004***

***Exhibit A-3***

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 18,442,240.99
Payments to Employees and Fringe Benefits	(32,138,694.86)
Payments to Vendors and Suppliers	(13,793,805.38)
Payments for Scholarships and Fellowships	(4,584,232.49)
Loans Issued to Students	(21,607.75)
Collection of Loans to Students	25,407.42
Other Receipts	107,820.50
	<hr/>
Net Cash Used by Operating Activities	(31,962,871.57)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	21,180,617.40
County Appropriations	7,683,878.38
Noncapital Grants Received	1,865,262.46
Noncapital Gifts and Endowments Received	989.81
	<hr/>
Net Cash Provided by Noncapital Financing Activities	30,730,748.05

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

State Capital Aid Received	5,289,166.80
County Capital Appropriations	7,303,204.65
Capital Grants Received	71,132.81
Proceeds from Sale of Capital Assets	1,733,059.90
Acquisition and Construction of Capital Assets	(10,481,132.85)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	3,915,431.31

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	217,960.55
	<hr/>
Net Cash Provided by Investing Activities	217,960.55

Net Increase in Cash and Cash Equivalents	2,901,268.34
Cash and Cash Equivalents, July 1, 2003	5,141,375.50
	<hr/>
Cash and Cash Equivalents, June 30, 2004	\$ 8,042,643.84

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

Operating Loss	\$ (32,719,212.67)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,356,441.34
Provision for Uncollectible Loans and Write-Offs	6,796.02
Miscellaneous Nonoperating Income	4,915.80
Changes in Assets and Liabilities:	
Receivables, Net	46,250.38
Inventories	17,277.33
Prepaid Items	(193,785.31)
Notes Receivable, Net	3,799.67
Accounts Payable and Accrued Liabilities	(1,655,223.67)
Deferred Revenue	(93.00)
Funds Held for Others	(92,796.91)
Compensated Absences	262,759.45
	<hr/>
Net Cash Used by Operating Activities	\$ (31,962,871.57)

***Guilford Technical Community College  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2004***

***Exhibit A-3***

***Page 2***

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:

Cash and Cash Equivalents	\$ 4,783,794.06
Restricted Cash and Cash Equivalents	<u>3,258,849.78</u>

Total Cash and Cash Equivalents - June 30, 2004	<u><u>\$ 8,042,643.84</u></u>
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**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Assets Acquired through Assumption of a Liability	\$ 2,852,776.81
Assets Acquired through a Gift	1,033,015.00
Increase in Receivables Related to Nonoperating Income	5,162,849.16
Capital Asset Write-Offs	547,820.56

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



***Guilford Technical Community College Foundation, Inc.***  
***Statement of Financial Position***  
***June 30, 2004***

***Exhibit B-1***

**ASSETS**

Cash	\$	1,266.00
Investments		1,863,730.00
Accounts Receivable		4,058.00
Promises to Give		242,655.00
Long-Term Investments		2,615,475.00
Beneficial Interest in Charitable Remainder Trust		55,123.00
		<hr/>
Total Assets		4,782,307.00
		<hr/>

**NET ASSETS**

Unrestricted		698,144.00
Temporarily Restricted		1,413,565.00
Permanently Restricted		2,670,598.00
		<hr/>
Total Net Assets	\$	4,782,307.00
		<hr/>

See Note 1 in the Notes to the Financial Statements

***Guilford Technical Community College Foundation, Inc.***  
***Statement of Activities***  
***For the Year Ended June 30, 2004***

***Exhibit B-2***

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUE AND OTHER SUPPORT</b>				
Contributions	\$ 219,799	\$ 714,437	\$ 190,979	\$ 1,125,215
Contribution of Beneficial Interest			55,123	55,123
Investment Income	200,967	223,623	27,477	452,067
Miscellaneous Income	34,999	6,374		41,373
Contributed Services	175,413			175,413
Contributed Materials and Equipment	1,093,433			1,093,433
Net Assets Released from Restrictions	528,693	(528,693)		
Total Revenues and Other Support	<u>2,253,304</u>	<u>415,741</u>	<u>273,579</u>	<u>2,942,624</u>
<b>EXPENSES</b>				
Student Aid	210,035			210,035
Grants and Projects	1,318,208			1,318,208
College Assistance	199,330			199,330
Administration	175,413			175,413
Total Expense	<u>1,902,986</u>			<u>1,902,986</u>
Increase in Net Assets	<u>350,318</u>	<u>415,741</u>	<u>273,579</u>	<u>1,039,638</u>
<b>NET ASSETS</b>				
Net Assets - Beginning of Year	<u>347,826</u>	<u>997,824</u>	<u>2,397,019</u>	<u>3,742,669</u>
Net Assets - End of Year	<u>\$ 698,144</u>	<u>\$ 1,413,565</u>	<u>\$ 2,670,598</u>	<u>\$ 4,782,307</u>

See Note 1 in the Notes to the Financial Statements

**GUILFORD TECHNICAL COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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**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 of the College and component units for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the financial statements. The discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness.

**Discretely Presented Component Unit** – The Guilford Technical Community College Foundation, Inc. (the Foundation), is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Guilford Technical Community College Foundation, Inc., is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 26 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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The Guilford Technical Community College Foundation, Inc., is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2004, the Foundation distributed \$1,466,514.64 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Guilford Technical Community College Foundation, PO Box 309, Jamestown, NC 27282.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the 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.

- 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 undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, fuel and merchandise for resale are valued at 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 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.

- 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.
- 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 bonuses awarded by the College to all full-time permanent employees as of September 30, 2002, and as of July 1, 2003. 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 – 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, 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.
- 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 2 - 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 Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year end, cash on hand was \$4,150.00. The carrying amount of cash on deposit was \$8,038,493.84 and the bank balance was \$9,318,060.02.

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	\$ 7,725,209.84	\$ 7,425,209.84
Cash on Deposit with Private Financial Institutions	313,284.00	1,892,850.18
	<u>\$ 8,038,493.84</u>	<u>\$ 9,318,060.02</u>

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 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.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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Of the cash on deposit with private financial institutions at June 30, 2004, \$106,182.92 of the bank balance was covered by federal depository insurance and \$1,786,667.26 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, 2004, were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 480,074.53	\$ 69,105.27	\$ 410,969.26
Accounts	107,841.85		107,841.85
Intergovernmental	2,108,587.43		2,108,587.43
Other	41,760.38	967.68	40,792.70
<b>Total Current Receivables</b>	<u>\$ 2,738,264.19</u>	<u>\$ 70,072.95</u>	<u>\$ 2,668,191.24</u>
<b>Notes Receivable:</b>			
<b>Notes Receivable - Current:</b>			
Institutional Student Loan Programs	\$ 8,732.24	\$ 6,796.02	\$ 1,936.22
<b>Total Notes Receivable - Current</b>	<u>\$ 8,732.24</u>	<u>\$ 6,796.02</u>	<u>\$ 1,936.22</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, 2004, is presented as follows:

	Balance July 1, 2003	Adjustments	Increases	Decreases	Balance June 30, 2004
Capital Assets, Nondepreciable:					
Land	\$ 5,966,122.01	\$ 0.00	\$ 293,128.17	\$ 359,905.90	\$ 5,899,344.28
Construction in Progress	10,361,084.70	(9,611,888.23)	11,290,518.86		12,039,715.33
<b>Total Capital Assets, Nondepreciable</b>	<b>16,327,206.71</b>	<b>(9,611,888.23)</b>	<b>11,583,647.03</b>	<b>359,905.90</b>	<b>17,939,059.61</b>
Capital Assets, Depreciable:					
Buildings	54,147,289.08	9,611,888.23	871,861.65	2,631,765.20	61,999,273.76
Machinery and Equipment	8,202,898.12		1,473,666.40	547,820.56	9,128,743.96
General Infrastructure	3,608,657.83		437,749.58		4,046,407.41
<b>Total Capital Assets, Depreciable</b>	<b>65,958,845.03</b>	<b>9,611,888.23</b>	<b>2,783,277.63</b>	<b>3,179,585.76</b>	<b>75,174,425.13</b>
Less Accumulated Depreciation:					
Buildings	15,490,164.20		1,550,045.54	191,899.42	16,848,310.32
Machinery and Equipment	4,048,422.37		609,006.48	524,760.66	4,132,668.19
General Infrastructure	1,103,751.85		197,389.32		1,301,141.17
<b>Total Accumulated Depreciation</b>	<b>20,642,338.42</b>		<b>2,356,441.34</b>	<b>716,660.08</b>	<b>22,282,119.68</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>45,316,506.61</b>	<b>9,611,888.23</b>	<b>426,836.29</b>	<b>2,462,925.68</b>	<b>52,892,305.45</b>
<b>Capital Assets, Net</b>	<b>\$ 61,643,713.32</b>	<b>\$ 0.00</b>	<b>\$ 12,010,483.32</b>	<b>\$ 2,822,831.58</b>	<b>\$ 70,831,365.06</b>

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2004, were as follows:

	Amount
Accounts Payable	\$ 2,042,349.94
Accrued Payroll	255,270.62
Contract Retainage	895,924.21
Intergovernmental Payables	39,548.83
Other	18,920.47
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 3,252,014.07</b>

### NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Current Portion
Compensated Absences	\$ 838,285.96	\$ 1,202,901.78	\$ 940,142.33	\$ 1,101,045.41	\$ 125,033.62

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 7 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2004:

<u>Fiscal Year</u>	<u>Amount</u>
2005	\$ 143,983.97
2006	46,894.12
2007	1,228.96
Total Minimum Lease Payments	<u>\$ 192,107.05</u>

Rental expense for all operating leases during the year was \$241,807.56.

### NOTE 8 - REVENUES

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

	<u>Gross Revenues</u>	<u>Internal Sales Eliminations</u>	<u>Less Scholarship Discounts</u>	<u>Net Revenues</u>
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees</b>	<u>\$ 9,087,198.69</u>	<u>\$ 0.00</u>	<u>\$ 3,111,761.96</u>	<u>\$ 5,975,436.73</u>
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 340,388.70	\$ 0.00	\$ 0.00	\$ 340,388.70
Student Union Services	2,893.75			2,893.75
Bookstore	3,896,606.31			3,896,606.31
Other	588,255.08	455,981.77		132,273.31
Sales and Services of Education and Related Activities	<u>496,742.96</u>			<u>496,742.96</u>
<b>Total Sales and Services</b>	<u>\$ 5,324,886.80</u>	<u>\$ 455,981.77</u>	<u>\$ 0.00</u>	<u>\$ 4,868,905.03</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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	\$ 19,958,020.78	\$ 1,335,363.11	\$ 894,169.82	\$ 11,582.77	\$ 0.00	\$ 0.00	\$ 22,199,136.48
Academic Support	2,689,834.18	525,028.05	137,879.63				3,352,741.86
Student Services	2,150,874.56	131,086.46	77,205.00	55,652.05			2,414,818.07
Institutional Support	3,913,129.75	467,473.11	1,604,243.49	33,522.97			6,018,369.32
Operations and Maintenance of Plant	2,822,060.38	330,565.71	1,386,593.84		1,230,019.17		5,769,239.10
Student Financial Aid	8,601.25		13,054.04	4,483,474.70			4,505,129.99
Auxiliary Enterprises	873,342.47	3,627,188.72	194,590.54				4,695,121.73
Depreciation						2,356,441.34	2,356,441.34
Total Operating Expenses	<u>\$ 32,415,863.37</u>	<u>\$ 6,416,705.16</u>	<u>\$ 4,307,736.36</u>	<u>\$ 4,584,232.49</u>	<u>\$ 1,230,019.17</u>	<u>\$ 2,356,441.34</u>	<u>\$ 51,310,997.89</u>

### 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, 2004, these rates were set at .22% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2004, the College had a total payroll of \$27,513,337.43, of which \$21,969,945.79 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$1,318,197.56 and \$48,333.88, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2004, 2003, and 2002, which were \$48,333.88, \$0.00, and \$396,848.77, 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, 2004.

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, 2004, were \$24,069.93. The voluntary contributions by employees amounted to \$291,409.00 for the year ended June 30, 2004.

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 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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contributions by employees amounted to \$186,971.30 for the year ended June 30, 2004.

### 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 3.2% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended

June 30, 2004, the College's total contribution to the Plan was \$703,038.27. 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. Employer contributions are established in the Appropriations Bill by the General Assembly. The College was not required to contribute to the DIPNC for the fiscal year ended June 30, 2004. 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,

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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purchase of commercial insurance, and self-retention of certain risks. Except for a reduction in the public officers' and employees' liability insurance from \$11,000,000 to \$5,000,000, 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 \$5,000,000 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 for 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 a \$2,000,000 school leader's error & 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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whose salaries or wages are paid by the Board entirely from county or institutional funds.

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. There were no employer contributions required for the current fiscal year.

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 \$15,151,416.83 at June 30, 2004.
- 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 \$600 million 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



## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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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 \$23,304,401.15 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

GHG Construction Corporation is a separate nonprofit corporation established to foster, promote, manage and develop the College's carpentry program. The records of the corporation are maintained separately by the College. 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 - CHANGE IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2004, the College implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship to the College.

### NOTE 16 - NET ASSET RESTATEMENT

As of July 1, 2003, net assets as previously reported was restated as follows:

	Amount
July 1, 2003 Net Assets as Previously Reported	\$ 91,170,052.91
Adjustment to reduce receivable from county	(24,273,176.17)
July 1, 2003 Net Assets as Restated	<u><u>\$ 66,896,876.74</u></u>

**Guilford Technical Community College**  
**Schedule of General Obligation Bond Project Authorizations,**  
**Budgets, and Expenditures**  
**For Project-to-Date as of June 30, 2004**

**Schedule 1**

<b>Capital Improvement Projects</b>	<b>Original Projected Start Date</b>	<b>Revised/ Actual Start Date</b>	<b>General Obligation Bonds Authorized</b>	<b>Other Sources</b>	<b>Total Project Budget</b>	<b>Amount Expended</b>	<b>Percent Completed</b>	<b>Original Expected Completion Date</b>	<b>Revised/ Actual Completion Date</b>
<b>Projects Approved by the State Board</b>									
Central Energy Plant for GSO Classrooms #1303	Oct 2003	Nov 2003	\$ 2,150,000.00	\$ 250,000.00	\$ 2,400,000.00	\$ 1,255,010.50	52.29%	May 2004	Nov 2004
Land #1236	Mar 2002	Mar 2002	3,000,000.00	352,500.00	3,352,500.00	3,270,428.68	97.55%	Jun 2003	Jul 2004
High Point Classroom Building #1046	May 2001	Feb 2002	4,250,000.00	5,000,000.00	9,250,000.00	9,072,093.04	98.08%	Jul 2003	Jan 2004
Public Safety Building/Training Tower/Driving Track #888	Jan 2002	Jan 2002	1,500,000.00	2,520,000.00	4,020,000.00	3,371,069.14	83.86%	Sep 2003	Dec 2004
Jamestown Campus Land/Parking #1294	Jan 2003	Jul 2003	4,100,000.00	325,000.00	4,425,000.00	296,328.17	6.70%	Jan 2007	Jan 2007
Aviation Center Fire Suppression System #1392	Mar 2003	May 2004	500,000.00		500,000.00	115,552.75	23.11%	Mar 2005	Dec 2006
Aviation Center Classroom Building	Nov 2005	Nov 2005	3,100,382.00	45,000.00	3,145,382.00	42,600.00	1.35%	Mar 2005	Oct 2004
Jamestown Roads, Parking & Walkway Repairs #1334	May 2002	May 2002	1,000,000.00	1,525,000.00	2,525,000.00	48,435.00	1.92%	Sep 2003	Jan 2006
Business Careers Renovation #1397	Sep 2003	Jun 2005	1,500,000.00		1,500,000.00			Sep 2005	Mar 2006
HVAC Renovations and Energy Upgrades #1398	Jul 2003	Jun 2002	1,923,774.00	1,070,664.00	2,994,438.00	981,125.33	32.76%	Aug 2004	Apr 2006
Allied Health Building	Sep 2004	Jun 2006	10,000,000.00		10,000,000.00			Sep 2006	Dec 2007
<b>Total All Projects</b>			<b>\$ 33,024,156.00</b>	<b>\$ 11,088,164.00</b>	<b>\$ 44,112,320.00</b>	<b>\$ 18,452,642.61</b>			

Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of \$600 million 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.

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Attorney General  
State Budget Officer  
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Guilford Technical Community College  
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Mr. James D. Johnson

Director, Fiscal Research Division

June 27, 2005

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