



STATE OF NORTH CAROLINA

GUILFORD TECHNICAL COMMUNITY COLLEGE

JAMESTOWN, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

A Component Unit of the State of North Carolina

GUILFORD TECHNICAL COMMUNITY COLLEGE

JAMESTOWN, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

STATE BOARD OF COMMUNITY COLLEGES

THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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Beth A. Wood, CPA
State Auditor

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Office of the State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
The General Assembly of North Carolina
Board of Trustees, Guilford Technical Community College

We have completed a financial statement audit of Guilford Technical Community College for the year ended June 30, 2012, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Guilford Technical Community College
Greensboro, North Carolina

We have audited 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, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Guilford Technical Community College Foundation, Inc., 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 opinions, insofar as they relate to the amounts included for that entity, are based on the report of the other auditors.


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. The financial statements of Guilford Technical Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Guilford Technical Community College and its discretely presented component unit as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2013 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



Beth A. Wood, CPA
State Auditor

March 1, 2013

GUILFORD TECHNICAL COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

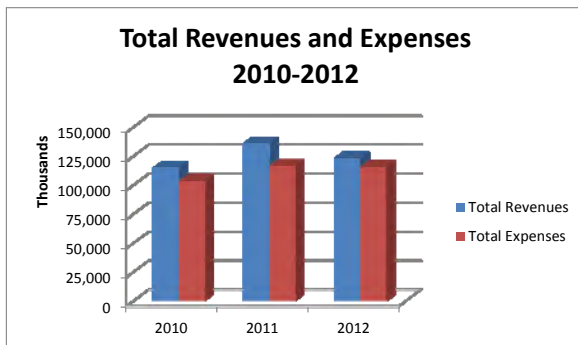
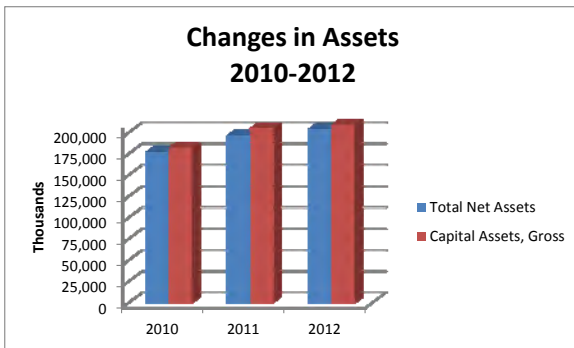
Introduction

Guilford Technical Community College (the “College”) provides the following Management’s Discussion and Analysis (MD&A) as an overview of the financial activity during the fiscal year ended June 30, 2012. This discussion, the following financial statements, and related notes to the financial statements have been prepared by management and comprise the College’s complete financial report. The financial statements, notes to the financial statements, and this discussion are the responsibility of College management.

The purpose of the MD&A is to identify significant transactions that have financial impact and to highlight favorable and unfavorable trends. It should be read in conjunction with, and is qualified in its entirety by, the financial statements and notes to the financial statements.

The College is a comprehensive, public, two year college serving primarily Guilford County residents and serves over 42,000 students per year on multiple campuses located in the Piedmont Triad region of North Carolina. The College offers a broad range of college transfer, associate and technical degree programs in addition to customized corporate training, continuing education and special interest classes.

Financial Highlights 2011-2012



- The College’s total assets exceeded total liabilities at June 30, 2012 by \$203,989,754.44 (total net assets). This is a \$7,654,692.86 increase in net assets over the prior fiscal year.
- Capital assets before depreciation increased \$4,228,816.58 to \$209,020,427.97 on June 30, 2012.
- Total revenues for the fiscal year ended June 30, 2012 totaled \$123,268,256.33 which is a decline of \$12,965,218.49 from the prior year. Operating revenues increased by \$990,350.39 to \$16,122,102.52 during the same period.
- Operating expenses at June 30, 2012 decreased by \$1,028,291.09 to \$115,613,563.47 from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Using the Annual Report/ Overview of Financial Statements

The College's financial report includes three financial statements:

- The Statement of Net Assets
- The Statement of Revenues, Expenses, and Changes in Net Assets
- The Statement of Cash Flows.

These statements are prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities* and present financial information in a form similar to that used by corporations.

Characteristics and uses of each of the statements include the following:

- Statement of Net Assets:

The Statement of Net Assets presents the financial position of the College at June 30, 2012, defined by the balances of assets, liabilities and assets net of liabilities. From the data presented, readers of this statement are able to determine the assets available to continue the operations of the institution. These net assets are one indicator of the College's financial health. Over time, increases or decreases in net assets are one indicator of the improvement or erosion of the College's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

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

- Statement of Revenues, Expenses, and Changes in Net Assets:

The Statement of Revenues, Expenses, and Changes in Net Assets presents the activity of the College during the year and is subdivided into four major components: operating revenues, operating expenses, nonoperating revenues (expenses), and other revenues.

Revenues are reported by major source and expenses are reported by natural classification. Intra-departmental sales, services and transfers are eliminated. Generally, operating revenues are earned for providing goods and services to the various constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. This statement classifies state and county appropriations, federal grants and contracts, and gifts as nonoperating revenues. Public colleges' dependency on state and county aid and gifts usually results in an operating deficit under governmental accounting standards. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

statements as depreciation, which amortizes the cost of an asset over its expected useful life.

- Statement of Cash Flows:

The statement of cash flows illustrates the sources and uses of cash by an entity. The sources and uses of cash are further divided into the categories of operating, investing or financing activities. The statement of cash flows shows the change in cash from one period to the next.

In private industry, the operating category is generally regarded as the most important section of the cash flow statement because it shows whether a company was able to generate cash from its operating activities. However, as explained in the Statement of Revenues, Expenses, and Changes in Net Assets, public colleges' dependency on state and county aid and gifts usually results in an operating deficit as those items are classified as nonoperating revenues under governmental accounting standards.

Financial Analysis of the College's Funds

Net Assets

This Schedule of Net Assets is prepared from the College's Statement of Net Assets.

Total net assets at June 30, 2012 totaled \$203,989,754.44, an increase of \$7,654,692.86 over the prior fiscal year. Current assets increased \$3,573,055.97 due to increases in cash, prepaid items and receivables. The increase in cash and cash equivalents of \$2,411,092.59 is primarily due to the increase in bookstore sales and student fees retained by the college. The increase in prepaid items of \$660,156.44 is primarily due to the purchase of maintenance contracts on computer equipment and local television advertising. Current receivables increased by \$485,144.39 primarily due to an increase in student accounts receivables.

Current liabilities decreased by \$1,651,394.70 from the prior fiscal year. The decrease is primarily due to a decrease in contracts payable for the Donald W. Cameron Campus and HVAC and classroom renovations.

Noncurrent cash increased by \$654,504.38 due to timing of receipts compared with expenditures for capital projects in process. Due from primary government increased \$1,723,537.52 due primarily to a renovation project at the College's Aviation Center. Buildings and infrastructure experienced an increase of \$1,272,152.34 due predominately to the completion of the various renovation projects on the Jamestown Campus and the transfer of leasehold improvements to the landowner for the Aviation Campus. Construction in progress increased overall by \$813,675.52, due to the construction of the Donald W. Cameron Campus and other renovation projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Assets As of June 30,		
	2012	2011
Current Assets	\$ 30,058,921.78	\$ 26,485,865.81
Noncurrent Assets		
Capital Assets, Net of Depreciation	172,206,226.51	170,725,717.13
Other	6,068,160.80	5,160,091.81
Total Assets	208,333,309.09	202,371,674.75
Current Liabilities	2,954,297.32	4,605,692.02
Noncurrent Liabilities	1,389,257.33	1,430,921.15
Total Liabilities	4,343,554.65	6,036,613.17
Net Assets		
Investment in Capital Assets	172,206,226.51	170,725,717.13
Restricted for : Expendable	8,581,753.57	7,273,814.56
Unrestricted	23,201,774.36	18,335,529.89
Total Net Assets	\$ 203,989,754.44	\$ 196,335,061.58

Capital Assets

GTCC's investment in capital assets as of June 30, 2012 amounted to \$172,206,226.51 net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, infrastructure, machinery and equipment. The total increase in GTCC's investment in net capital assets was \$1,480,509.38. Future construction commitments total \$5,973,364.05.

Changes in types of capital assets are shown below:

- Land increased by \$72,000.00 due to the donation of 1.20 acres for the wet retention pond on Radar Road for the Aviation campus.
- Construction in progress (CIP) had an increase of \$813,675.52. The Donald W. Cameron Campus accounted for \$1,094,809.08 of the total increase while Aviation Center Classroom Building totaled \$348,130.67 and TH Davis Aviation Center HVAC Renovation totaled \$255,620.50. The \$848,933.49 transfer from CIP to Buildings for the Dental Science Renovation project made up the largest decrease in the CIP balance.
- Buildings increased by \$1,270,764.68. The increase was predominately comprised of the Dental Science Renovations in the amount of \$2,508,491.58. Other improvements to various buildings during the year included Learning Resource Center & Medlin Campus Center Elevator repairs, installation of backflow preventers, electrical upgrades for fire code compliance on all campuses, and former Center for Business & Industry location renovations. Ownership of leasehold improvements for the TH Davis Aviation Center totaling \$2,524,288.08 was transferred to the Piedmont Triad Airport Authority in compliance with the terms of the lease for that property.
- Infrastructure increased by \$1,387.66 for the final payment on the Jamestown signage project.
- Machinery and equipment additions for items valued over \$5,000 totaled \$3,442,115.40 and deletions totaled \$1,371,126.68 for a net change of \$2,072,376.38.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Assets, Net As of June 30,

	<u>2012</u>	<u>2011</u>
Current Assets		
Land	\$ 18,205,047.81	\$ 18,133,047.81
Construction in progress	10,988,119.73	10,174,444.21
Buildings	137,970,898.91	136,700,134.23
Infrastructure	15,994,138.92	15,992,751.26
Machinery and Equipment	25,862,222.60	23,791,233.88
Total	<u>209,020,427.97</u>	<u>204,791,611.39</u>
Less Accumulated Depreciation	<u>36,814,201.46</u>	<u>34,065,894.26</u>
Net Capital Assets	<u>\$ 172,206,226.51</u>	<u>\$ 170,725,717.13</u>

Operating/Nonoperating Results

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

Operating Results At June 30,

	<u>2012</u>	<u>2011</u>
Operating Revenue		
Student Tuition and Fees, Net	\$ 7,130,153.99	\$ 4,631,722.72
Sales and Services, Net	8,900,562.62	10,405,599.54
Other Operating Revenues	91,385.91	94,429.87
Total Operating Revenue	* <u>16,122,102.52</u>	<u>15,131,752.13</u>
Operating Expenses		
Salaries and Benefits	61,170,818.60	58,685,955.07
Supplies and Materials	18,128,962.49	19,077,257.20
Services	9,261,881.92	9,101,473.94
Scholarships and Fellowships	20,798,252.96	23,838,902.51
Utilities	1,624,965.87	1,718,073.61
Depreciation	4,628,681.63	4,220,192.23
Total Operating Expenses	<u>115,613,563.47</u>	<u>116,641,854.56</u>
Operating Loss	<u>(99,491,460.95)</u>	<u>(101,510,102.43)</u>
Nonoperating Revenues (Expenses)		
State Aid	36,757,010.08	36,100,236.04
County Appropriations	11,724,267.04	11,431,621.79
Noncapital Grants - Student Financial Aid	46,834,846.18	47,508,198.61
Noncapital Grants and Gifts	2,292,232.26	3,438,115.52
Other Nonoperating Revenues (Expenses)	(1,856,705.83)	(411,984.07)
Net Nonoperating Revenue	* <u>95,751,649.73</u>	<u>98,066,187.89</u>
Loss before other Revenues	<u>(3,739,811.22)</u>	<u>(3,443,914.54)</u>
State Capital Aid	* 8,162,228.12	8,108,918.26
County Capital Aid	* 2,829,942.83	14,587,198.07
Capital Grants and Gifts	* 402,333.13	339,418.47
Increase in Net Assets	<u>7,654,692.86</u>	<u>19,591,620.26</u>
Net Assets, Beginning of Year	<u>196,335,061.58</u>	<u>176,743,441.32</u>
Net Assets, End of Year	<u>\$ 203,989,754.44</u>	<u>\$ 196,335,061.58</u>

*Total Revenues equal \$123,268,256.33.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Operating revenue increased by \$990,350.39 to \$16,122,102.52. Student tuition and fees increased \$2,498,431.27. Gross tuition receipts increased due to an increase in the tuition charge per credit hour of \$10. Enrollment increased 1% over the prior year.

Net nonoperating revenue decreased \$2,314,538.16 to \$95,751,649.73 in fiscal year 2012. This was due primarily to a decrease of \$673,352.43 in noncapital grants from student financial aid and a \$1,552,520.96 loss on disposal related to the transfer of leasehold improvements to the property owner. State appropriations increased \$656,774.04 and county appropriations increased \$292,645.25. As a result of lower interest rates, investment income decreased \$60,144.39. County capital aid decreased \$11,757,255.24 to \$2,829,942.83 due to the completion of several large projects during the prior fiscal year.

Operating expenses for fiscal year 2012 decreased \$1,028,291.09 to \$115,613,563.47. Personal services increased \$2,484,863.53 due primarily to increases in the cost of employee benefits and employee leave payments at retirement. Scholarships decreased \$3,040,649.55 due to increases in student loans over student grants. Decreases for supplies and materials of \$948,294.71 resulted primarily from decreased expenditures in instructional supplies related to online courses as well as reduced equipment purchases less than the capitalization threshold of \$5,000.

Total State aid and State capital aid, net of tuition receipts collected, increased \$710,083.90. State appropriations constituted 29% of the College's total revenues for fiscal year 2011-12, up from 26% last year.

Factors Impacting Future Periods

Federal support is crucial for the College's students as the majority of the students are receiving some type of federal financial aid. This increasing percentage of students receiving financial aid increases their outstanding debt and leaves the College more vulnerable to actions of government agencies. Increasing national accountability requirements for colleges and universities, along with new and changing federal regulations, may impact federal funding and financial aid availability.

The level of state support is one of the key factors influencing the College's financial condition and its ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. In addition, there is a direct relationship between the level of state support and tuition increases, as declines in state support have resulted in increased tuition rates and/or mandatory budget reversions.

The level of county support is critical to the mission of the College. Funding at the county level impacts our ability to maintain and upgrade/construct facilities. An aging infrastructure and equipment, coupled with congested operating space and a flat renovation and repair budget, is expected to continue. This results in increased maintenance/repair costs and reduced efficiency.

Guilford Technical Community College
Statement of Net Assets
June 30, 2012

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 22,211,762.42
Restricted Cash and Cash Equivalents	2,998,037.73
Receivables, Net (Note 3)	2,177,967.73
Due from Community College Component Units	747.23
Inventories	967,330.25
Prepaid Items	1,700,776.42
Notes Receivable (Note 3)	2,300.00
	<hr/>
Total Current Assets	30,058,921.78
	<hr/>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	3,155,029.09
Receivables (Note 3)	112,911.08
Restricted Due from Primary Government	2,800,220.63
Capital Assets - Nondepreciable (Note 4)	29,193,167.54
Capital Assets - Depreciable, Net (Note 4)	143,013,058.97
	<hr/>
Total Noncurrent Assets	178,274,387.31
	<hr/>

Total Assets

208,333,309.09

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	1,383,644.82
Unearned Revenue	914,130.84
Funds Held for Others	334,579.63
Long-Term Liabilities - Current Portion (Note 6)	321,942.03
	<hr/>
Total Current Liabilities	2,954,297.32
	<hr/>

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	1,389,257.33
	<hr/>

Total Liabilities

4,343,554.65

NET ASSETS

Invested in Capital Assets

172,206,226.51

Restricted for:

Expendable:

Scholarships and Fellowships	10,161.05
Loans	41,157.15
Capital Projects	6,097,454.83
Other	2,432,980.54

Unrestricted

23,201,774.36

Total Net Assets

\$ 203,989,754.44

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, 2012***

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 8)	\$ 7,130,153.99
Sales and Services, Net (Note 8)	8,900,562.62
Other Operating Revenues	91,385.91

Total Operating Revenues	16,122,102.52
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EXPENSES

Operating Expenses:

Salaries and Benefits	61,170,818.60
Supplies and Materials	18,128,962.49
Services	9,261,881.92
Scholarships and Fellowships	20,798,252.96
Utilities	1,624,965.87
Depreciation	4,628,681.63

Total Operating Expenses	115,613,563.47
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Operating Loss	(99,491,460.95)
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NONOPERATING REVENUES (EXPENSES)

State Aid	36,757,010.08
County Appropriations	11,724,267.04
Noncapital Grants - Student Financial Aid	46,834,846.18
Noncapital Grants	2,095,978.85
Noncapital Gifts	196,253.41
Investment Income, Net	138,949.56
Other Nonoperating Expenses	(1,995,655.39)

Net Nonoperating Revenues	95,751,649.73
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Loss Before Other Revenues	(3,739,811.22)
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State Capital Aid	8,162,228.12
County Capital Aid	2,829,942.83
Capital Grants	20,849.42
Capital Gifts	381,483.71

Increase in Net Assets	7,654,692.86
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NET ASSETS

Net Assets, July 1, 2011	196,335,061.58
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Net Assets, June 30, 2012	\$ 203,989,754.44
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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, 2012

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 15,521,089.00
Payments to Employees and Fringe Benefits	(61,306,435.45)
Payments to Vendors and Suppliers	(29,668,524.88)
Payments for Scholarships and Fellowships	(20,798,252.96)
Loans Issued to Students	(229,014.29)
Collection of Loans to Students	229,654.73
Other Receipts	94,128.72
	<hr/>
Net Cash Used by Operating Activities	(96,157,355.13)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	36,757,010.08
County Appropriations	11,724,267.04
Noncapital Grants - Student Financial Aid	46,834,846.18
Noncapital Grants Received	2,000,004.17
Noncapital Gifts	195,506.18
William D. Ford Direct Lending Receipts	49,857,232.00
William D. Ford Direct Lending Disbursements	(49,837,933.83)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	97,530,931.82

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	6,438,690.60
County Capital Aid	4,299,915.74
Capital Grants Received	20,849.42
Acquisition and Construction of Capital Assets	(9,206,385.04)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	1,553,070.72

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income, Net	138,949.56
	<hr/>
Net Increase in Cash and Cash Equivalents	3,065,596.97
Cash and Cash Equivalents, July 1, 2011	25,299,232.27
	<hr/>
Cash and Cash Equivalents, June 30, 2012	\$ 28,364,829.24
	<hr/> <hr/>

Guilford Technical Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (99,491,460.95)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,628,681.63
Miscellaneous Nonoperating Income	19,384.94
Changes in Assets and Liabilities:	
Receivables, Net	(420,552.84)
Inventories	(16,554.88)
Prepaid Items	(660,156.44)
Notes Receivable	640.44
Accounts Payable and Accrued Liabilities	(90,389.32)
Unearned Revenue	(188,292.22)
Funds Held for Others	82,575.32
Compensated Absences	(21,230.81)
	<u>(21,230.81)</u>
Net Cash Used by Operating Activities	<u>\$ (96,157,355.13)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 22,211,762.42
Restricted Cash and Cash Equivalents	2,998,037.73
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	3,155,029.09
	<u>3,155,029.09</u>
Total Cash and Cash Equivalents - June 30, 2012	<u>\$ 28,364,829.24</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 206,072.05
Assets Acquired through a Gift	381,483.71
Increase in Receivables Related to Nonoperating Income	1,788,763.90
Loss on Disposal of Capital Assets	(2,015,040.33)

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, 2012

Exhibit B-1

ASSETS

Current assets:

Cash	\$ 32,935
Investments	8,474,681
Investments - Partnership interests in multi-family apartments	465,718
Accounts receivable	39,228
Promises to give due in one year	<u>414,735</u>

Total current assets 9,427,297

Promises to give due after one year, less discounts of \$43,549 485,827

Other assets-beneficial interest in charitable remainder trust 81,442

Total assets \$ 9,994,566

LIABILITIES and NET ASSETS

Current liabilities:

Accounts payable	<u>\$ 6,844</u>
------------------	-----------------

Net assets:

Unrestricted:

Undesignated	3,136,466
Board designated	<u>965,718</u>

4,102,184

Temporarily restricted 3,010,121

Permanently restricted 2,875,417

Total net assets 9,987,722

Total liabilities and net assets \$ 9,994,566

See accompanying notes to financial statements.

Guilford Technical Community College Foundation, Inc.
Statement of Activities
Year Ended June 30, 2012

Exhibit B-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and other support:				
Contributions	\$ 36,193	\$ 206,401	\$ 110,355	\$ 352,949
Grants		552,912		552,912
Investment income	146,590	(8,996)		137,594
Miscellaneous income	1,015	103,425	846	105,286
Administrative services contributed by college	345,302			345,302
Contributed materials and equipment	65,317			65,317
	<u>594,417</u>	<u>853,742</u>	<u>111,201</u>	<u>1,559,360</u>
Net assets released from restrictions	<u>686,311</u>	<u>(686,311)</u>		<u>0</u>
Total revenue and other support	<u>1,280,728</u>	<u>167,431</u>	<u>111,201</u>	<u>1,559,360</u>
Expenses:				
Departments and program support	387,791	0	0	387,791
Student aid	258,686			258,686
Grants and projects	156,852			156,852
Materials and equipment contributed to college	65,317			65,317
Administration	403,799			403,799
Total expenses	<u>1,272,445</u>	<u>0</u>	<u>0</u>	<u>1,272,445</u>
Excess of revenues over expenses	8,283	167,431	111,201	286,915
Net transfers among funds	<u>(51,000)</u>	<u>51,000</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	(42,717)	218,431	111,201	286,915
Net assets at beginning of year	<u>4,144,901</u>	<u>2,791,690</u>	<u>2,764,216</u>	<u>9,700,807</u>
Net assets at end of year	<u>\$ 4,102,184</u>	<u>\$ 3,010,121</u>	<u>\$ 2,875,417</u>	<u>\$ 9,987,722</u>

See accompanying notes to financial statements.

GUILFORD TECHNICAL COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Guilford Technical Community College 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 its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. The discretely presented component unit's financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

Discretely Presented Component Unit– Guilford Technical Community College Foundation, Inc. (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 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.

The Foundation 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 the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2012, the Foundation distributed \$401,186.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Guilford Technical Community College Foundation, Inc., 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 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 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 FASB pronouncements issued after November 30, 1989, 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, regardless of the timing of the cash flows.

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

- D. Cash and Cash Equivalents** - This classification includes petty cash, cash on deposit with private bank accounts, a money market account, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- E. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies, postage, fuel and merchandise for resale, are valued at last invoice cost.
- G. Prepaid Items** - The College records expenses allocable to future periods as prepaid items. Prepaid items include insurance premiums, warranty and maintenance agreements, advertising, dues and subscriptions.
- H. 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 value of assets constructed includes all material direct and indirect construction costs.

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 to 75 years for general infrastructure, 50 years for buildings, and 2 to 25 years for equipment.

- I. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources whose use is limited by external parties or statute.
- J. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- K. 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 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. 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 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the College to all full-time permanent employees as of September 30, 2002, as of July 1, 2003, and as of September 1, 2005. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above.

There is no liability for unpaid accumulated sick leave because the College has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

L. 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.

M. 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

N. 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. 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.

O. 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.

P. 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

The College is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

and are required to be collateralized in accordance with *North Carolina 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. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling \$5,825.35, and deposits in private financial institutions with a carrying value of \$5,867,411.87 and a bank balance of \$12,141,768.24.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2012, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

The College is authorized to invest idle funds as provided by G.S. 115D-58.6. In accordance with this statute, the College and the Board of Trustees manage investments to ensure they can be converted into cash when needed.

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6 (d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2012, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$22,491,592.02 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. The

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Short-Term Investment Fund (a portfolio within the State Treasurer’s Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2012. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer’s Investment Pool (which includes the State Treasurer’s Short-Term Investment Fund) 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.nc.gov/> and clicking on “Reports” or by calling the State Controller’s Financial Reporting Section at (919) 707-0500.

A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2012, is as follows:

Cash on Hand	\$	5,825.35
Carrying Amount of Deposits with Private Financial Institutions		5,867,411.87
Investments in the Short-Term Investment Fund		<u>22,491,592.02</u>
Total Deposits and Investments	\$	<u>28,364,829.24</u>
Current:		
Cash and Cash Equivalents	\$	22,211,762.42
Restricted Cash and Cash Equivalents		2,998,037.73
Noncurrent:		
Restricted Cash and Cash Equivalents	\$	<u>3,155,029.09</u>
Total	\$	<u>28,364,829.24</u>

Component Unit - Investments of the College’s discretely presented component unit, Guilford Technical Community College Foundation, Inc., are subject to and restricted by G.S. 36E “Uniform Prudent Management of Institutional Funds Act” (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

Investment Type	<u>Fair Value</u>
Cash and Cash Equivalents	\$ 306,698
Money Market Accounts	381,678
Fixed Income Funds	4,068,368
Equity Funds	3,352,869
Diversifying Funds	365,068
Real Estate Partnerships	<u>465,718</u>
Total Investments	\$ <u>8,940,399</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,083,195.38	\$ 597,063.00	\$ 1,486,132.38
Student Sponsors	173,624.64	19.57	173,605.07
Accounts	362,209.78		362,209.78
Intergovernmental	1,517.00		1,517.00
Other	178,731.79	24,228.29	154,503.50
Total Current Receivables	\$ 2,799,278.59	\$ 621,310.86	\$ 2,177,967.73
Noncurrent Receivables:			
Intergovernmental	\$ 112,911.08	\$ 0.00	\$ 112,911.08
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	\$ 2,300.00	\$ 0.00	\$ 2,300.00

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2012, is presented as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital Assets, Nondepreciable:				
Land	\$ 18,133,047.81	\$ 72,000.00	\$ 0.00	\$ 18,205,047.81
Construction in Progress	10,174,444.21	1,752,617.17	938,941.65	10,988,119.73
Total Capital Assets, Nondepreciable	28,307,492.02	1,824,617.17	938,941.65	29,193,167.54
Capital Assets, Depreciable:				
Buildings	136,700,134.23	3,795,052.76	2,524,288.08	137,970,898.91
Machinery and Equipment	23,791,233.88	3,442,115.40	1,371,126.68	25,862,222.60
General Infrastructure	15,992,751.26	1,387.66		15,994,138.92
Total Capital Assets, Depreciable	176,484,119.37	7,238,555.82	3,895,414.76	179,827,260.43
Less Accumulated Depreciation for:				
Buildings	26,263,572.82	2,834,356.30	971,767.12	28,126,162.00
Machinery and Equipment	5,709,205.83	1,490,316.31	908,607.31	6,290,914.83
General Infrastructure	2,093,115.61	304,009.02		2,397,124.63
Total Accumulated Depreciation	34,065,894.26	4,628,681.63	1,880,374.43	36,814,201.46
Total Capital Assets, Depreciable, Net	142,418,225.11	2,609,874.19	2,015,040.33	143,013,058.97
Capital Assets, Net	\$ 170,725,717.13	\$ 4,434,491.36	\$ 2,953,981.98	\$ 172,206,226.51

The Statement of Revenues, Expenses, and Changes in Net Assets includes a loss on disposal of capital assets of \$1,552,520.96 in other nonoperating revenues. This loss was the result of the transfer of leasehold improvements to the property owner at the termination of an operating lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2012, were as follows:

	Amount
Accounts Payable	\$ 335,620.19
Accrued Payroll	957,858.05
Contract Retainage	43,701.00
Intergovernmental Payables	3,399.88
Other	43,065.70
Total Accounts Payable and Accrued Liabilities	\$ 1,383,644.82

NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2012, is presented as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Compensated Absences	\$ 1,732,430.17	\$ 1,536,876.53	\$ 1,558,107.34	\$ 1,711,199.36	\$ 321,942.03

NOTE 7 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for the relocation of the College's Small Business Center. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2012:

Fiscal Year	Amount
2013	\$ 309,462.43
2014	71,985.07
2015	69,486.91
2016	36,556.33
2017	36,645.89
2018-2022	184,669.65
2023-2027	187,347.63
2028-2032	190,452.14
2033-2037	138,099.12
Total Minimum Lease Payments	\$ 1,224,705.17

Rental expense for all operating leases during the year was \$537,303.38.

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	Less Change In Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 28,621,692.99	\$ 0.00	\$ 21,371,794.96	\$ 119,744.04	\$ 7,130,153.99
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Dining	530,117.81	0.00	0.00	0.00	530,117.81
Bookstore	12,751,824.83		5,200,819.29	(50,754.57)	7,601,760.11
Athletic	2,905.00				2,905.00
Other	791,484.70	563,213.58		23,274.36	204,996.76
Sales and Services of Education and Related Activities	560,782.94				560,782.94
Total Sales and Services	\$ 14,637,115.28	\$ 563,213.58	\$ 5,200,819.29	\$ (27,480.21)	\$ 8,900,562.62

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	\$ 39,096,914.27	\$ 5,320,212.99	\$ 1,993,712.09	\$ 0.00	\$ 0.00	\$ 0.00	\$ 46,410,839.35
Academic Support	4,663,983.99	227,641.48	394,289.21				5,285,914.68
Student Services	4,213,531.98	596,788.81	331,787.01				5,142,107.80
Institutional Support	6,955,315.74	547,043.76	3,426,777.75				10,929,137.25
Operations and Maintenance of Plant	4,886,860.78	578,200.95	2,911,501.78		1,624,965.87		10,001,529.38
Student Financial Aid				20,798,252.96			20,798,252.96
Auxiliary Enterprises	1,354,211.84	10,859,074.50	203,814.08				12,417,100.42
Depreciation						4,628,681.63	4,628,681.63
Total Operating Expenses	\$ 61,170,818.60	\$ 18,128,962.49	\$ 9,261,881.92	\$ 20,798,252.96	\$ 1,624,965.87	\$ 4,628,681.63	\$ 115,613,563.47

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 (Plan) is a cost-sharing multiple-employer defined benefit pension plan established by the state to provide pension benefits for employees of the state, its component units and local boards of education. The Plan is administered by the North Carolina State Treasurer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2012, these rates were set at 7.44% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$48,737,876.12, of which \$37,757,353.18 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$2,809,147.08 and \$2,265,428.21, respectively.

Required employer contribution rates for the years ended June 30, 2011, and 2010, were 4.93% and 3.57%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2012, 2011, and 2010, which were \$2,809,147.08, \$1,803,035.25, and \$1,235,660.57, 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.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

B. Deferred Compensation and Supplemental Retirement Income Plans

Internal Revenue Code 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 plan was frozen effective January 1, 2000 and terminated effective October 31, 2011. All amounts in the Plan have been distributed to Plan participants and beneficiaries in accordance with the terms of the Plan and the requirements of Internal Revenue Code Section 457(b).

Internal Revenue Code 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2012, were \$47,187.55. The voluntary contributions by employees amounted to \$340,283.00 for the year ended June 30, 2012.

Internal Revenue Code 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. The plan administrator is Guilford Technical Community College. No costs are incurred by the College. The voluntary contributions by employees amounted to \$216,386.37 for the year ended June 30, 2012.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Benefits** - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides 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. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Plan's benefit and contribution provisions are established by the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees as authorized by Chapter 135, Article 3B, of the General Statutes. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees.

For the current fiscal year the College contributed 5.0% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2011, and 2010, were 4.9% and 4.5%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2012, 2011, and 2010, which were \$1,887,867.66, \$1,792,063.44, and \$1,557,555.34, respectively. 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*. 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.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- B. Disability Income** - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2012, the College made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2011, and 2010, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2012, 2011, and 2010, which were \$196,338.24, \$190,178.16, and \$179,984.17, respectively. 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*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, 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 are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The community college pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from state funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible.

The College also provides crime coverage of \$300,000 with a \$250 deductible for employee dishonesty on all employees, including county and institutional fund employees. Coverage for theft of money and securities by other than employee dishonesty is also provided up to \$300,000 with a \$250 deductible. The College also has a \$2,000,000 error and omissions policy purchased from a private insurance company covering trustees, employees, volunteers, student teachers and interns.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

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.

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% 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 \$5,973,364.05 at June 30, 2012.
- 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.

NOTE 14 - RELATED PARTIES

Non-Profit Corporation – The GHG Construction Corporation is a legally separate not-for profit corporation established to foster, promote, manage and develop the College's carpentry program. The records of the corporation are maintained separately by the College. GHG contracts with an independent accounting firm to audit its financial records and prepare an Independent Auditor's Report. This report is provided to the College and to GHG Board members by an independent auditor.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

Non-Profit Corporation – The GTCC Innovative Resources Corporation is a legally separate not-for-profit corporation established to operate various entrepreneurial activities of the College. This entity was incorporated on May 2, 2012. The records of the corporation are maintained by the College.



Beth A. Wood, CPA
State Auditor

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Office of the State Auditor

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

Board of 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, and its discretely presented component unit, as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements and have issued our report thereon dated March 1, 2013. Our report was modified to include a reference to other auditors.

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. Other auditors audited the financial statements of Guilford Technical Community College Foundation, Inc., the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of Guilford Technical Community College Foundation, Inc., the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

The College's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

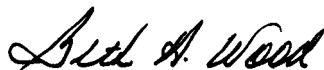
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the College, the Board of Trustees, others within the entity, the State Board of Community Colleges, the Governor, the General Assembly, and the State Controller, and is not intended to be and should not be used by anyone other than these specified parties.



Beth A. Wood, CPA
State Auditor

March 1, 2013

ORDERING INFORMATION

Audit reports issued by the Office of the State Auditor can be obtained from the web site at www.ncauditor.net. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

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

Telephone: 919/807-7500

Facsimile: 919/807-7647

This audit required 460 audit hours at an approximate cost of \$33,120. The cost represents .02% of the College's total assets and .03% of total expenses subjected to audit.