

# STATE OF NORTH CAROLINA

**GUILFORD TECHNICAL COMMUNITY COLLEGE**

**JAMESTOWN, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2013**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**GUILFORD TECHNICAL COMMUNITY COLLEGE**

**JAMESTOWN, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2013**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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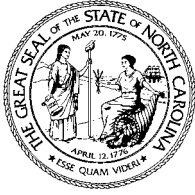
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Beth A. Wood, CPA  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

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Raleigh, NC 27699-0601  
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**AUDITOR'S TRANSMITTAL**

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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, 2013, 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".

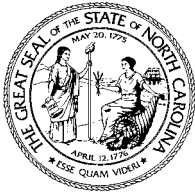
Beth A. Wood, CPA  
State Auditor

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# Office of the State Auditor



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## INDEPENDENT AUDITOR'S REPORT

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Board of Trustees  
Guilford Technical Community College  
Jamestown, North Carolina

### Report on the Financial Statements

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 and blended component units, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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, or GTCC Innovative Resources Corporation, the College's blended component unit, which represent .15 percent, .04 percent, and .26 percent, respectively, of the assets, net position, and revenues of the College. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for Guilford Technical Community College Foundation, Inc. and GTCC Innovative Resources Corporation, are based solely on the reports 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 from material misstatement. The financial statements of Guilford Technical Community College Foundation, Inc. and GTCC Innovative Resources Corporation were not audited in accordance with *Government Auditing Standards*.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Guilford Technical Community College, as of June 30, 2013, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters – Required Supplementary Information

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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 12, 2014

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## **GUILFORD TECHNICAL COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **INTRODUCTION**

Guilford Technical Community College (the “College” or “GTCC”) provides the following Management’s Discussion and Analysis (MD&A) as an overview of the financial activity during the fiscal year ended June 30, 2013. 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.

GTCC is a comprehensive, public, two year college serving primarily Guilford County residents on multiple campuses located in the Piedmont Triad region of North Carolina. Providing educational opportunities to over 45,000 students per year, 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.

### **REPORTING ENTITY**

The financial statements report information about the College as a whole with one blended component unit. The GTCC Innovative Resources Corporation is a legally separate, non-profit organization formed to assist the College in its mission of service to the community. Its activities are blended with the College’s as if it was part of the College; however, it is subject to a separate independent audit.

### **USING THE ANNUAL REPORT/OVERVIEW OF FINANCIAL STATEMENTS**

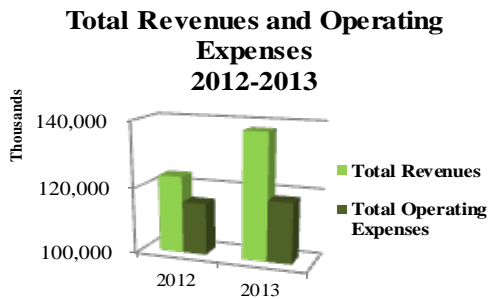
The College’s financial report includes three financial statements:

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

These 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL HIGHLIGHTS 2012-2013



- The College's total assets exceed total liabilities at June 30, 2013 by \$223,668,814 (total net position). This is a \$19,679,059 increase in net position over the prior fiscal year.
- Capital assets before depreciation increased \$17,789,600 to \$226,810,029 on June 30, 2013.
- Total revenue for the fiscal year ended June 30, 2013 totaled \$137,935,165 which is an increase of \$14,666,908 from the prior year. Operating revenues decreased by \$402,946 to \$15,719,157 during the same period.
- Operating expenses at June 30, 2013 increased by \$2,642,543 to \$118,256,106 from the prior year.

### STATEMENT OF NET POSITION

The Statement of Net Position summarizes the financial position of the College at June 30, 2013, defined by the balances of assets, liabilities and assets net of liabilities. The statement is a point-in-time statement, the purpose of which is to present a fiscal snapshot of the College. From the data presented, readers of this statement are able to determine the assets available to continue the operations of the institution. The net position is one indicator of the College's financial health. Over time, increases or decreases in net position are one measure of the improvement or erosion of the College's financial health when considered with non-financial factors such as enrollment levels and the condition of the facilities.

The Statement of Net Position 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.

Net investment in capital assets represents the College's equity in property, plant and equipment owned by the College.

The amounts shown in the Expendable Restricted caption are available for expenditure by the College but must be spent for purposes as determined by donors and external entities that have placed time or purpose restrictions on the use of the assets.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Unrestricted funds are available to the College for any lawful need of the College.

The following table is prepared from the College's Statement of Net Position and summarizes and compares the College's assets, liabilities and net position on June 30, 2013 and June 30, 2012.

Condensed Statement of Net Position			Increase/(Decrease)	
	FY 2013	FY 2012	Amount	Percent
<b>Assets:</b>				
Current Assets	\$ 40,772,025	\$ 30,058,922	\$ 10,713,103	35.6%
Noncurrent Assets:				
Capital Assets, Net	185,600,298	172,206,227	13,394,071	7.8%
Other	5,070,055	6,068,160	(998,105)	-16.4%
Total Assets	<u>231,442,378</u>	<u>208,333,309</u>	<u>23,109,069</u>	11.1%
<b>Liabilities:</b>				
Current Liabilities	6,413,401	2,954,297	3,459,104	117.1%
Noncurrent Liabilities	1,360,163	1,389,257	(29,094)	-2.1%
Total Liabilities	<u>7,773,564</u>	<u>4,343,554</u>	<u>3,430,010</u>	79.0%
<b>Net Position:</b>				
Net Investment in Capital Assets	185,600,298	172,206,227	13,394,071	7.8%
Restricted for:				
Expendable	11,913,196	8,581,754	3,331,442	38.8%
Unrestricted	26,155,320	23,201,774	2,953,546	12.7%
Total Net Position	<u>\$ 223,668,814</u>	<u>\$ 203,989,755</u>	<u>\$ 19,679,059</u>	9.6%

Some highlights of the information presented in the table above include:

- Total current assets at June 30, 2013 were \$40.8 million, an increase of \$10.7 million (35.6%) over the prior fiscal year. This is primarily due to an increase in cash and cash equivalents of \$6.9 million and an increase in accounts receivable related to current construction projects of \$3.4 million.
- Total noncurrent assets increased \$12.4 million (6.9%) to \$190.7 million directly related to increased construction in progress.
- Total current liabilities increased to \$6.4 million (an increase of \$3.4 million or 117.1%) as a result of accrued construction expenses.
- The total net position at June 30, 2013 was \$223.7 million, an increase of \$19.7 million (9.6%) over the prior fiscal year. The growth in net position is due primarily to the increase in the net investment in capital assets of \$13.4 million (7.8%).

### Capital Assets

GTCC remains committed to providing a quality education to the citizens of Guilford County. One of the critical factors in meeting this commitment is the ability to develop, expand and improve its capital assets. In addition to the Condensed Statement of Net Position, a Condensed Statement of Capital Assets is included to provide detail on this major area within the Statement of Net Position.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Condensed Statement of Capital Assets			Increase/(Decrease)	
	FY 2013	FY 2012	Amount	Percent
Land	\$ 18,203,554	\$ 18,205,048	\$ (1,494)	0.0%
Construction in Progress	26,043,115	10,988,120	15,054,995	137.0%
Buildings	138,386,179	137,970,899	415,280	0.3%
General Infrastructure	15,967,642	15,994,139	(26,497)	-0.2%
Machinery and Equipment	28,209,539	25,862,223	2,347,316	9.1%
Total	226,810,029	209,020,429	17,789,600	8.5%
Less: Accumulated Depreciation	41,209,731	36,814,202	4,395,529	11.9%
Net Capital Assets	<u>\$ 185,600,298</u>	<u>\$ 172,206,227</u>	<u>\$ 13,394,071</u>	7.8%

The investment in capital assets includes land, construction in progress, buildings, infrastructure, equipment and vehicles. These accounts had an overall increase of \$17.8 million (before depreciation) from prior year's total ending balance. This increase reflects the construction of the Donald W. Cameron Campus and Aviation Center Classroom Building projects during the 2012/2013 fiscal year. The future home of the NC Center for Global Logistics and Center for Business and Industry programs, our 100 acre Donald W. Cameron Campus has a 5,500 square foot Central Energy Plant to supply energy to the entire campus and a 97,500 square foot conference and training facility. Both structures are scheduled to be complete in Spring 2014. To accommodate the growing enrollment in our aviation programs, the College is constructing a 41,000 square foot classroom building to house the aviation management, career pilot, and customized training programs. This structure also has an estimated completion date of Spring 2014.

Other changes affecting the building and infrastructure categories were additional costs associated with the Jamestown Parking Deck, Dental Science HVAC & Classroom Renovations and Business Hall Classroom Renovations projects totaling \$0.4 million. These expenditures were added to buildings for the year ending June 30, 2013. The cost basis for land was reduced by a minor permanent utility easement and right of way for Bonner Road on the Jamestown campus and a minor sidewalk easement on the Greensboro campus.

Machinery and equipment increased \$2.3 million predominately for a significant investment in IT infrastructure and disaster recovery programs to support the College's activities (\$1.2 million). Additionally, the College had several large expenditures for Machining, Mechatronics and Bionetwork programs (\$0.7 million).

As of June 30, 2013, Guilford Technical Community College has future commitments for construction totaling \$25.9 million.

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position 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, expenses, gains or losses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

Statement of Revenues, Expenses and Changes in Net Position	Increase/(Decrease)			
	FY 2013	FY 2012	Amount	Percent
<b>Operating Revenues</b>				
Student Tuition and Fees, Net	\$ 6,581,573	\$ 7,130,154	\$ (548,581)	-7.7%
Sales and Services, Net	9,043,023	8,900,563	142,460	1.6%
Other Operating Revenues	94,561	91,386	3,175	3.5%
Total Operating Revenues	* 15,719,157	16,122,103	(402,946)	-2.5%
<b>Operating Expenses</b>				
Salaries and Benefits	63,605,546	61,170,818	2,434,728	4.0%
Supplies and Materials	18,594,429	18,128,962	465,467	2.6%
Services	10,339,242	9,261,882	1,077,360	11.6%
Scholarships and Fellowships	19,146,917	20,798,253	(1,651,336)	-7.9%
Utilities	1,787,998	1,624,966	163,032	10.0%
Depreciation	4,781,974	4,628,682	153,292	3.3%
Total Operating Expenses	118,256,106	115,613,563	2,642,543	2.3%
Operating Loss	(102,536,949)	(99,491,460)	(3,045,489)	-3.1%
<b>Nonoperating Revenues (Expenses)</b>				
State Aid	38,898,375	36,757,010	2,141,365	5.8%
County Appropriations	11,706,979	11,724,267	(17,288)	-0.1%
Noncapital Grants - Student Financial Aid	44,996,252	46,834,846	(1,838,594)	-3.9%
Noncapital Grants, Gifts and Interest	4,269,335	2,431,182	1,838,153	75.6%
Other Nonoperating Expenses	(789,036)	(1,995,655)	1,206,619	60.5%
Net Nonoperating Revenues	* 99,081,905	95,751,650	3,330,255	3.5%
Loss before other Revenues	(3,455,044)	(3,739,810)	284,766	7.6%
State Capital Aid	* 6,816,372	8,162,228	(1,345,856)	-16.5%
County Capital Aid	* 16,278,387	2,829,943	13,448,444	475.2%
Capital Grants and Gifts	* 39,344	402,333	(362,989)	-90.2%
Increase in Net Position	19,679,059	7,654,694	12,024,365	157.1%
Net Position, Beginning of Year	203,989,755	196,335,061	7,654,694	3.9%
Net Position, End of Year	\$ 223,668,814	\$ 203,989,755	\$ 19,679,059	9.6%

\*Total Revenues equal \$137,935,165.

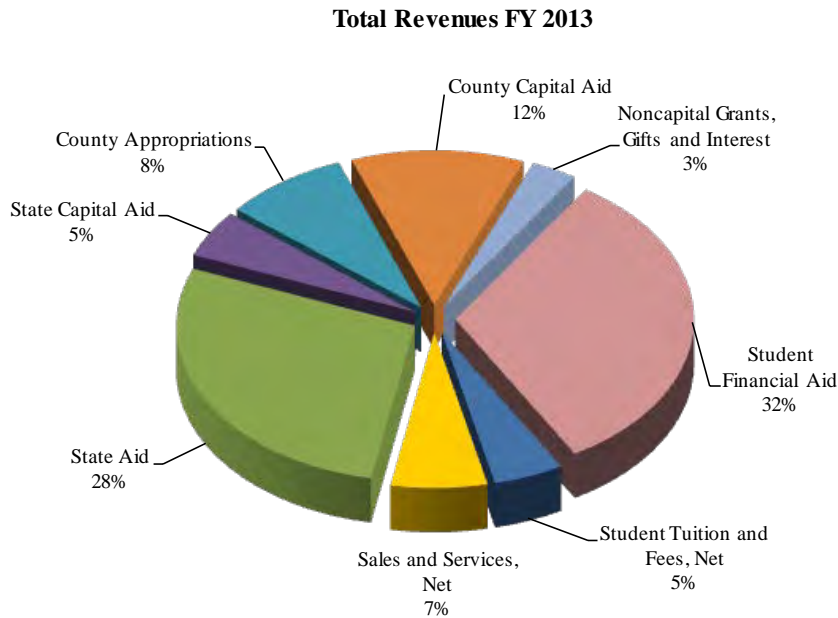
### Revenues

Revenues are reported by major source. 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. Nonoperating revenues include activities that have non-exchange characteristics (the College received revenue without providing a good or service). The financial statements primarily classify 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating revenues decreased by \$0.4 million to \$15.7 million as a direct result of a decrease of \$0.5 million in student tuition and fees. Gross tuition receipts declined \$1.6 million due to a slight enrollment decline that was offset by \$1.1 million in receipts generated by a \$2.50 per credit hour tuition increase.

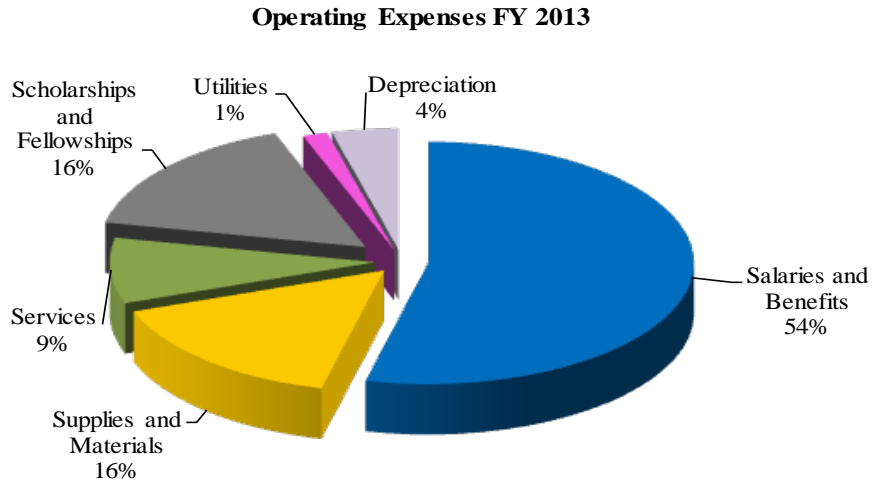
Net nonoperating revenues increased \$3.3 million to \$99.1 million in fiscal year 2013. This was primarily due to an increase in State aid of \$2.1 million. The remainder of the change was associated with a loss on disposals recorded in 2012 that did not recur in 2013. While county capital aid increased \$13.4 million to \$16.3 million due to the major construction projects discussed earlier in this document, county appropriations remained flat.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Expenses

Expenses are reported by natural classification. Operating expenses are 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. 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.



Operating expenses for fiscal year 2013 increased \$2.6 million to \$118.3 million. Salaries and benefits increased \$2.4 million due primarily to a 3% pay increase as well as a one-time bonus payment. Scholarships decreased \$1.7 million primarily due to decreases in student grants. There was a marginal increase in expenses for supplies and materials of \$0.5 million to \$18.6 million. Services rose \$1.1 million due to increases in costs for maintenance agreements and licenses for IT totaling \$0.7 million and for consulting and instruction costs of \$0.4 million.

Total State aid and State capital aid, net of tuition receipts collected, increased \$0.8 million. State aid (excluding capital aid) constituted 28% of the College's total revenues for fiscal year 2012-13, down from 30% last year.

### 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, 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Condensed Statement of Cash Flows	Increase/(Decrease)			
	FY 2013	FY 2012	Amount	Percent
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Received from Customers	\$ 15,845,131	\$ 15,521,089	\$ 324,042	2.1%
Payments to Employees and Vendors	(94,747,371)	(90,974,960)	(3,772,411)	-4.1%
Payments for Scholarships and Fellowships	(19,146,917)	(20,798,253)	1,651,336	7.9%
Other Receipts (Payments)	(96,376)	94,769	(191,145)	-201.7%
Net Cash Used by Operating Activities	(98,145,533)	(96,157,355)	(1,988,178)	-2.1%
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Governmental Appropriations (State and County)	50,605,354	48,481,277	2,124,077	4.4%
Noncapital Grants - Student Financial Aid	44,996,252	46,834,846	(1,838,594)	-3.9%
Noncapital Grants, Gifts and Other Received	4,144,995	2,214,809	1,930,186	87.1%
Net Cash Provided by Noncapital Financing Activities	99,746,601	97,530,932	2,215,669	2.3%
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
State and County Capital Aid Received	17,652,494	10,738,606	6,913,888	64.4%
Other	216,474	20,849	195,625	938.3%
Acquisition and Construction of Capital Assets	(15,721,409)	(9,206,385)	(6,515,024)	-70.8%
Net Cash Provided by Capital and Related Financing Activities	2,147,559	1,553,070	594,489	38.3%
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income	108,254	138,950	(30,696)	-22.1%
Net Increase in Cash and Cash Equivalents	3,856,881	3,065,597	791,284	25.8%
Cash and Cash Equivalents, July 1	28,364,829	25,299,232	3,065,597	12.1%
Cash and Cash Equivalents, June 30	\$ 32,221,710	\$ 28,364,829	\$ 3,856,881	13.6%

### FACTORS IMPACTING FUTURE PERIODS

Federal support is crucial for the College's students as the majority receive some type of federal financial aid, predominately in the form of Pell Grants and William D. Ford Direct Loans. The loans increase the students' outstanding debt which can leave the College more vulnerable to actions of government agencies. Changes in the calculation of student default rates and the resulting impact to the College are worrisome. Over the last few years, College direct loan disbursements have been at an all-time high. Many students are not staying current with the required loan payments. A student's default ascribes to the College and can adversely affect the College's ability to participate in federal aid programs. GTCC is changing its direct loan processes to set limits on first year and/or new borrowers. The College is also changing the disbursement schedule for all loans to encourage course completion and discourage early withdrawals. As national accountability requirements for colleges and universities continue to escalate, these factors may impact federal funding and financial aid availability.

Traditionally in North Carolina, the State has allocated funds to the College on the basis of enrollment. Following a national trend, the State is moving to a performance-based funding model that is grounded in meeting performance measures and attaining certain goals of student success. This model more clearly shows how the College uses its State support to assist students with course and degree completion. Meeting the challenges of the change in funding is critical as 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



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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relationship between the level of State support and tuition increases, as declines in State support result in increased tuition rates and/or mandatory budget reversions. When the economy is still weak and tuition rates are increased, students respond by seeking additional financial aid or decreasing their enrollment by taking fewer or no classes due to inability to pay.

As the economic recovery continues, the College is beginning to experience declining enrollment. As reported by the School Enrollment report issued by the Census Bureau, two-year college enrollment nationally dropped almost 5% (6,135,000 in 2011 down to 5,830,000 students in 2012). The College's experience for that same time frame is a decline of approximately 2.6%. With more than a dozen other higher education institutions and training centers in Guilford County and its surrounding areas, as well as the growth of online courses, the competition for students is high. GTCC strives to position itself as the college of choice for technical and college transfer students and continually reviews for improvement its student "front door" experience, including the processes for application, registration, financial aid and payment for tuition and fees. Program offerings, class schedules, and the classroom experience are also reviewed regularly. Our marketing campaigns highlight programs and opportunities provided by the College for its students.

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. The College's county appropriations have remained flat for the last 5 years although the county is continuing to fund construction activities from an approved bond referendum in 2008. This dichotomy leads to decreased overall services per facility as the same budget is being spread over more facilities. The College has been very creative in applying cost saving and energy efficiency programs in order to offset the flat budget, but the saturation point has been reached. The lack of additional funding may result in the College's inability to open a new facility since the facility cannot adequately or safely be operated.

GTCC recently received a report on the economic impact of the College to the Triad. The report stated that GTCC generated government revenue, reduced demand for social services and contributed significantly to the growth of the economy. According to the report, the College enriches the lives of students and increases their lifetime incomes. It benefits taxpayers by generating increased tax revenues from an enlarged economy and reducing the demand for taxpayer-supported social services, all while contributing to the vitality of both the local and State economies. The College's aviation programs are experiencing unprecedented growth that has been acknowledged with a four year pledge by the Cemala Foundation to assist in program expansion and scholarships to avionics students. Additionally, nationally recognized educator and author, Dr. John Roueche recently published a new book entitled *Rising to the Challenge: Lessons Learned from Guilford Technical Community College* (2012) with Suanne D. Roueche. The College continues to be recognized as a leader in developmental education and in aviation programs, increasing graduation rates of community college students, and training the long-term unemployed. This is shown by

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

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multi-year grants received in 2012-13 from the Department of Commerce, US Department of Labor, Walmart, Achieving the Dream, Inc. and the Bill and Melinda Gates Foundation.

The College also seeks non-traditional, entrepreneurial activities to generate non-State, non-county revenues. In May 2012, the College formed GTCC Innovative Resources Corporation (GIRC) to further those efforts. The first project under this endeavor is the NC Center for Global Logistics (NCCGL). The NCCGL is a collaborative effort between community colleges, universities, and industry partners focused on developing a highly trained workforce for the logistics and supply chain industry. Currently, NCCGL provides consulting, training and instruction to college, university and business clients. The next project is the Center for Creative and Performing Arts to enhance the cultural landscape of the Triad.

Collaboration with other colleges and with various industries is very important to the future of GTCC. These partnerships provide numerous avenues for growth within the College and by its students and raise awareness of the College and its offerings within the community. These collaborations include the ability of GTCC's transfer students to matriculate seamlessly to the UNC system, aviation program partnerships with Honda Aircraft and Embry-Riddle University, dual enrollment of pre-engineering students at GTCC and North Carolina A&T University, and the cooperative education opportunities available in many of the College's technical programs. Additionally, the Small Business Center and the Center for Business and Industry provide education and consulting services to the businesses within Guilford County.

Guilford Technical Community College is committed to continuous improvement in all areas of the College. The College continues to build strong relationships with the various constituencies within Guilford County and desires to positively impact its citizens. GTCC is optimistic about the future and believes it will be an integral part of the economic recovery for our area.

***Guilford Technical Community College***  
***Statement of Net Position***  
***June 30, 2013***

***Exhibit A-1***  
***Page 1 of 2***

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 24,590,335
Restricted Cash and Cash Equivalents	7,535,078
Receivables, Net (Note 3)	5,640,805
Due from Community College Component Units	2,600
Inventories	1,149,668
Prepaid Items	1,852,189
Notes Receivable, Net (Note 3)	1,350
	<hr/>
Total Current Assets	40,772,025

Noncurrent Assets:

Restricted Cash and Cash Equivalents	96,297
Restricted Due from Primary Government	4,973,758
Capital Assets - Nondepreciable (Note 4)	44,246,669
Capital Assets - Depreciable, Net (Note 4)	141,353,629
	<hr/>
Total Noncurrent Assets	190,670,353

Total Assets	<hr/> 231,442,378 <hr/>
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**DEFERRED OUTFLOWS OF RESOURCES**

Total Deferred Outflows of Resources	<hr/> 0 <hr/>
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**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	4,553,942
Unearned Revenue	1,092,168
Funds Held for Others	350,490
Long-Term Liabilities - Current Portion (Note 6)	416,801
	<hr/>
Total Current Liabilities	6,413,401

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	<hr/> 1,360,163 <hr/>
Total Noncurrent Liabilities	1,360,163

Total Liabilities	<hr/> 7,773,564 <hr/>
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**DEFERRED INFLOWS OF RESOURCES**

Total Deferred Inflows of Resources	<hr/> 0 <hr/>
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***Guilford Technical Community College  
Statement of Net Position  
June 30, 2013***

***Exhibit A-1  
Page 2 of 2***

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**NET POSITION**

Net Investment in Capital Assets	185,600,298
Expendable:	
Scholarships and Fellowships	9,466
Capital Projects	8,255,944
Other	3,647,786
Unrestricted	<u>26,155,320</u>
Total Net Position	<u><u>\$ 223,668,814</u></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 Position  
For the Fiscal Year Ended June 30, 2013***

***Exhibit A-2***

**REVENUES**

Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	\$ 6,581,573
Sales and Services, Net (Note 8)	9,043,023
Other Operating Revenues	94,561
	<hr/>
Total Operating Revenues	15,719,157
	<hr/>

**EXPENSES**

Operating Expenses:	
Salaries and Benefits	63,605,546
Supplies and Materials	18,594,429
Services	10,339,242
Scholarships and Fellowships	19,146,917
Utilities	1,787,998
Depreciation	4,781,974
	<hr/>
Total Operating Expenses	118,256,106
	<hr/>
Operating Loss	(102,536,949)
	<hr/>

**NONOPERATING REVENUES (EXPENSES)**

State Aid	38,898,375
County Appropriations	11,706,979
Noncapital Grants - Student Financial Aid	44,996,252
Noncapital Grants	4,057,908
Noncapital Gifts	103,173
Investment Income	108,254
Other Nonoperating Expenses	(789,036)
	<hr/>
Net Nonoperating Revenues	99,081,905
	<hr/>
Loss Before Other Revenues	(3,455,044)
	<hr/>
State Capital Aid	6,816,372
County Capital Aid	16,278,387
Capital Grants	6,309
Capital Gifts	33,035
	<hr/>
Increase in Net Position	19,679,059

**NET POSITION**

Net Position, July 1, 2012	203,989,755
	<hr/>
Net Position, June 30, 2013	\$ 223,668,814
	<hr/> <hr/>

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, 2013***

***Exhibit A-3***  
***Page 1 of 2***

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 15,845,131
Payments to Employees and Fringe Benefits	(63,574,882)
Payments to Vendors and Suppliers	(31,172,489)
Payments for Scholarships and Fellowships	(19,146,917)
Loans Issued to Students	(149,391)
Collection of Loans to Students	149,991
Other Payments	(96,976)
	<hr/>
Net Cash Used by Operating Activities	(98,145,533)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	38,898,375
County Appropriations	11,706,979
Noncapital Grants - Student Financial Aid	44,996,252
Noncapital Grants Received	4,059,760
Noncapital Gifts	101,320
William D. Ford Direct Lending Receipts	50,079,098
William D. Ford Direct Lending Disbursements	(50,095,183)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	99,746,601

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

State Capital Aid Received	4,642,834
County Capital Aid	13,009,660
Capital Grants Received	6,309
Proceeds from Sale of Capital Assets	30,165
Proceeds from Insurance on Capital Assets	180,000
Acquisition and Construction of Capital Assets	(15,721,409)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	2,147,559

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	108,254
	<hr/>
Net Cash Provided by Investing Activities	108,254

Net Increase in Cash and Cash Equivalents	3,856,881
Cash and Cash Equivalents, July 1, 2012	28,364,829
	<hr/>
Cash and Cash Equivalents, June 30, 2013	\$ 32,221,710

***Guilford Technical Community College***  
***Statement of Cash Flows***  
***For the Fiscal Year Ended June 30, 2013***

***Exhibit A-3***  
***Page 2 of 2***

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

Operating Loss	\$ (102,536,949)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,781,974
Provision for Uncollectible Loans and Write-Offs	350
Miscellaneous Nonoperating Loss	(113,973)
Changes in Assets and Liabilities:	
Receivables, Net	(67,061)
Inventories	(182,339)
Prepaid Items	(151,413)
Notes Receivable, Net	600
Accounts Payable and Accrued Liabilities	(152,520)
Unearned Revenue	178,038
Funds Held for Others	31,995
Compensated Absences	65,765
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (98,145,533)</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 24,590,335
Restricted Cash and Cash Equivalents	7,535,078
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	96,297
	<hr/>
Total Cash and Cash Equivalents - June 30, 2013	<u><u>\$ 32,221,710</u></u>

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

Assets Acquired through Assumption of a Liability	\$ 3,512,901
Assets Acquired through a Gift	33,035
Increase in Receivables Related to Nonoperating Income	5,456,403
Loss on Disposal of Capital Assets	(201,804)

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, 2013***

***Exhibit B-1***

**ASSETS**

Current Assets:

Cash	\$ 17,437
Prepaid Expenses	8,891
Inventory	16,067
Investments	8,682,435
Investments - Partnership Interests in Multi-Family Apartments	397,853
Accounts Receivable	40,206
Promises to Give Due in One Year	525,674

Total Current Assets	9,688,563
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Promises to Give Due After One Year, Less Discounts of \$51,191	1,214,482
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Beneficial Interest in Charitable Remainder Trust	111,813
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Total Assets	\$ 11,014,858
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**LIABILITIES AND NET ASSETS**

Accounts Payable	\$ 72,092
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Net Assets:

Unrestricted:

Undesignated	2,750,284
Board Designated	897,853

Total Unrestricted	3,648,137
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Temporarily Restricted	4,384,281
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Permanently Restricted	2,910,348
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Total Net Assets	10,942,766
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Total Liabilities and Net Assets	\$ 11,014,858
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The accompanying notes to the financial statements are an integral part of this statement.



**Guilford Technical Community College Foundation, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2013**

**Exhibit B-2**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>REVENUE AND OTHER SUPPORT</b>				
Contributions	\$ 47,191	\$ 1,127,800	\$ 3,931	\$ 1,178,922
Change in Beneficial Interest in Charitable Remainder Trust			30,371	30,371
Investment Income	27,584	437,703		465,287
Miscellaneous Income	213	240,453		240,666
Administrative Services Contributed by College	200,009			200,009
Contributed Materials and Equipment	240,199			240,199
<b>Total Revenue and Other Support</b>	<b>515,196</b>	<b>1,805,956</b>	<b>34,302</b>	<b>2,355,454</b>
Net Assets Released From Restrictions	724,579	(724,579)		
<b>Total Revenue and Other Support</b>	<b>1,239,775</b>	<b>1,081,377</b>	<b>34,302</b>	<b>2,355,454</b>
<b>EXPENSES</b>				
Departments and Program Support	486,731			486,731
Student Aid	190,208			190,208
Grants and Projects	204,889			204,889
Materials and Equipment Contributed to College	240,199			240,199
Administration	278,383			278,383
<b>Total Expenses</b>	<b>1,400,410</b>			<b>1,400,410</b>
Excess (Deficit) of Revenues Over Expenses	(160,635)	1,081,377	34,302	955,044
Net Transfers Among Funds		1,682	(1,682)	
Increase (Decrease) in Net Assets	(160,635)	1,083,059	32,620	955,044
Net Assets at Beginning of Year	3,808,772	3,301,222	2,877,728	9,987,722
Net assets at End of Year	<u>\$ 3,648,137</u>	<u>\$ 4,384,281</u>	<u>\$ 2,910,348</u>	<u>\$ 10,942,766</u>

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

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**GUILFORD TECHNICAL COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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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 (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 units for which the College's Board of Trustees is financially accountable. The College's component units are either blended or discretely presented in the College's financial statements. The blended component unit, although legally separate, is, in substance, part of the College's operations and therefore, is reported as if it were part of the College. The discretely presented component unit's financial data are reported in separate financial statements because of its use of a different GAAP reporting model and to emphasize its legal separateness.

**Blended Component Unit** - Although legally separate, GTCC Innovative Resources Corporation (GIRC) is reported as if it was part of the College. GIRC is governed by a 12-member board consisting of five ex officio directors, four elected directors and three non-voting liaison directors. GIRC's purpose is to aid, support, and promote teaching and service in the various educational, professional, artistic, and creative endeavors of the College. Because the elected directors of GIRC are appointed by the members of the Guilford Technical Community College Board of Trustees and GIRC's sole purpose is to benefit Guilford Technical Community College, its financial statements have been blended with those of the College.

Separate financial statements for GIRC may be obtained from the College's Chief Financial Officer, P.O. Box 309, Jamestown, NC 27282. Other related and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Condensed combining information regarding blended component unit is provided in Note 15.

**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 27 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 the Financial Accounting Standards Board (FASB) Codification. 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 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, 2013, the Foundation distributed \$294,890 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the College's Chief Financial Officer, P.O. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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 (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

- 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 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 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.

- H. 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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resources restricted for the acquisition or construction of capital assets and resources whose 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 January 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.

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.

- K. Net Position** - The College's net position is classified as follows:

**Investment in Capital Assets** - This represents the College's total investment in capital assets.

**Restricted Net Position - Expendable** - Expendable restricted net position includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

**Unrestricted Net Position** - Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 Position. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

**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 Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, and (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.

**N. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as central stores, the duplicating center, and postal services. In addition,

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 appropriations and county capital appropriations 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 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 Position as cash and cash equivalents includes cash on hand totaling \$5,815, and deposits in private financial institutions with a carrying value of \$10,617,970 and a bank balance of \$12,660,830.

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, 2013, the College's bank



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, 2013, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$21,597,925 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.6 years as of June 30, 2013. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2013, is as follows:

Cash on Hand	\$	5,815
Carrying Amount of Deposits with Private Financial Institutions		10,617,970
Investments in the Short-Term Investment Fund		<u>21,597,925</u>
<b>Total Deposits and Investments</b>	<b>\$</b>	<b><u>32,221,710</u></b>
Current:		
Cash and Cash Equivalents	\$	24,590,335
Restricted Cash and Cash Equivalents		7,535,078
Noncurrent:		
Restricted Cash and Cash Equivalents		<u>96,297</u>
<b>Total Deposits and Investments</b>	<b>\$</b>	<b><u>32,221,710</u></b>

**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	Fair Value
Cash and Cash Equivalents	\$ 517,301
Money Market Accounts	2,396
Fixed Income Funds	4,022,555
Equity Funds	3,524,723
Diversifying Funds	<u>615,460</u>
<b>Total Investments</b>	<b>\$ 8,682,435</b>

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 2,187,147	\$ 695,365	\$ 1,491,782
Student Sponsors	166,159		166,159
Accounts	444,553		444,553
Intergovernmental	3,381,638		3,381,638
Other	<u>169,453</u>	<u>12,780</u>	<u>156,673</u>
<b>Total Current Receivables</b>	<b><u>\$ 6,348,950</u></b>	<b><u>\$ 708,145</u></b>	<b><u>\$ 5,640,805</u></b>
<b>Notes Receivable:</b>			
<b>Notes Receivable - Current:</b>			
Institutional Student Loan Programs	<u>\$ 1,700</u>	<u>\$ 350</u>	<u>\$ 1,350</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, 2013, is presented as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital Assets, Nondepreciable:				
Land	\$ 18,205,048	\$ 0	\$ 1,494	\$ 18,203,554
Construction in Progress	10,988,120	15,720,931	665,936	26,043,115
<b>Total Capital Assets, Nondepreciable</b>	<b>29,193,168</b>	<b>15,720,931</b>	<b>667,430</b>	<b>44,246,669</b>
Capital Assets, Depreciable:				
Buildings	137,970,899	415,280		138,386,179
Machinery and Equipment	25,862,223	2,964,236	616,920	28,209,539
General Infrastructure	15,994,139		26,497	15,967,642
Total Capital Assets, Depreciable	179,827,261	3,379,516	643,417	182,563,360
Less Accumulated Depreciation for:				
Buildings	28,126,162	2,801,997		30,928,159
Machinery and Equipment	6,290,915	1,682,424	386,445	7,586,894
General Infrastructure	2,397,125	297,553		2,694,678
Total Accumulated Depreciation	36,814,202	4,781,974	386,445	41,209,731
<b>Total Capital Assets, Depreciable, Net</b>	<b>143,013,059</b>	<b>(1,402,458)</b>	<b>256,972</b>	<b>141,353,629</b>
<b>Capital Assets, Net</b>	<b>\$ 172,206,227</b>	<b>\$ 14,318,473</b>	<b>\$ 924,402</b>	<b>\$ 185,600,298</b>

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2013, were as follows:

	Amount
<b>Current Accounts Payable and Accrued Liabilities:</b>	
Accounts Payable	\$ 2,806,532
Accrued Payroll	922,756
Contract Retainage	735,892
Intergovernmental Payables	19,389
Other	69,373
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 4,553,942</b>

### NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2013, is presented as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Compensated Absences	\$ 1,711,199	\$ 2,502,290	\$ 2,436,525	\$ 1,776,964	\$ 416,801

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 7 - OPERATING LEASE OBLIGATIONS

The College renewed its operating lease for 819 Radar Road, the Aviation 2 classroom building. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2013:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 466,531
2015	435,617
2016	218,485
2017	36,646
2018	36,738
2019-2023	185,174
2024-2028	187,932
2029-2033	191,130
2034-2038	105,314
<b>Total Minimum Lease Payments</b>	<b>\$ 1,863,567</b>

Rental expense for all operating leases during the year was \$554,703.

### 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>Less Allowance for Uncollectibles*</u>	<u>Net Revenues</u>
<b>Operating Revenues:</b>					
<b>Student Tuition and Fees</b>	\$ 27,998,402	\$ 0	\$ 21,326,600	\$ 90,229	\$ 6,581,573
<b>Sales and Services:</b>					
Sales and Services of Auxiliary Enterprises:					
Dining	\$ 474,230	\$ 0	\$ 0	\$ 0	\$ 474,230
Bookstore	13,181,293		5,514,625	8,019	7,658,649
Athletic	3,521				3,521
Other	786,659	555,753		(11,415)	242,321
Sales and Services of Education and Related Activities	664,302				664,302
<b>Total Sales and Services</b>	<b>\$ 15,110,005</b>	<b>\$ 555,753</b>	<b>\$ 5,514,625</b>	<b>\$ (3,396)</b>	<b>\$ 9,043,023</b>

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

## 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	\$ 39,543,497	\$ 4,952,532	\$ 2,019,541	\$ 0	\$ 0	\$ 0	\$ 46,515,570
Academic Support	5,764,204	261,576	709,283				6,735,063
Student Services	4,351,925	392,811	263,556				5,008,292
Institutional Support	7,634,460	890,579	4,503,859				13,028,898
Operations and Maintenance of Plant	4,702,947	1,294,179	2,564,609		1,787,998		10,349,733
Student Financial Aid				19,146,917			19,146,917
Auxiliary Enterprises	1,608,513	10,802,752	278,394				12,689,659
Depreciation						4,781,974	4,781,974
<b>Total Operating Expenses</b>	<b>\$ 63,605,546</b>	<b>\$ 18,594,429</b>	<b>\$ 10,339,242</b>	<b>\$ 19,146,917</b>	<b>\$ 1,787,998</b>	<b>\$ 4,781,974</b>	<b>\$ 118,256,106</b>

### 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 (TSERS) 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 a 14-member Board of Trustees, with the State Treasurer serving as Chairman of the Board.

Benefit and contribution provisions for the TSERS 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, 2013, these rates were set at 8.33% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$50,002,505, of which \$38,815,203 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$3,233,306 and \$2,328,912, respectively.

Required employer contribution rates for the years ended June 30, 2012, and 2011, were 7.44% and 4.93%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2013, 2012, and 2011, which were \$3,233,306, \$2,809,147, and \$1,803,035, respectively.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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The TSERS 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 term 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 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, 2013, were \$47,174. The voluntary contributions by employees amounted to \$329,675 for the year ended June 30, 2013.

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 \$242,925 for the year ended June 30, 2013.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 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 Chapter 135, Article 3B, 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.

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 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 established by the General Assembly.

For the current fiscal year the College contributed 5.30% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2012, and 2011, were 5.0% and 4.9%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2013, 2012, and 2011, which were \$2,057,206, \$1,887,868, and \$1,792,063, 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**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, 2013, the College made a statutory contribution of .44% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2012, and 2011, were .52% for both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2013, 2012, and 2011, which were \$170,787, \$196,338, and \$190,178, 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*.

### 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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 \$25,912,394 at June 30, 2013.
- 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.

### NOTE 15 - BLENDED COMPONENT UNIT

Condensed combining information for the College's blended component unit for the year ended June 30, 2013, is presented as follows:

***Condensed Statement of Net Position  
June 30, 2013***

	<b>GTCC Innovative Resources Corp.</b>	<b>Eliminations</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets	\$ 342,001	\$ (1,135)	\$ 340,866
Total Assets	<u>342,001</u>	<u>(1,135)</u>	<u>340,866</u>
Deferred Outflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>LIABILITIES</b>			
Current Liabilities	159,844		159,844
Noncurrent Liabilities	<u>100,875</u>	<u>(86,276)</u>	<u>14,599</u>
Total Liabilities	<u>260,719</u>	<u>(86,276)</u>	<u>174,443</u>
Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET POSITION</b>			
Unrestricted	<u>81,282</u>	<u>85,141</u>	<u>166,423</u>
Total Net Position	<u>\$ 81,282</u>	<u>\$ 85,141</u>	<u>\$ 166,423</u>

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

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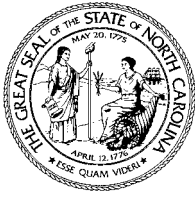
***Condensed Statement of Revenues, Expenses, and  
Changes in Net Position  
For the Fiscal Year Ended June 30, 2013***

	<b>GTCC Innovative Resources Corp.</b>	<b>Eliminations</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Memberships	\$ 216,292	\$ (85,600)	\$ 130,692
Instruction	18,680	(9,743)	8,937
Consulting	47,056	(34,446)	12,610
Other	14,184	0	14,184
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	296,212	(129,789)	166,423
<b>OPERATING EXPENSES</b>			
Operating Expenses	214,930	(214,930)	0
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	214,930	(214,930)	0
	<hr/>	<hr/>	<hr/>
Operating Income	81,282	85,141	166,423
	<hr/>	<hr/>	<hr/>
Increase in Net Position	81,282	85,141	166,423
<b>NET POSITION</b>			
Net Position, July 1, 2012	0	0	0
	<hr/>	<hr/>	<hr/>
Net Position, June 30, 2013	\$ 81,282	\$ 85,141	\$ 166,423
	<hr/>	<hr/>	<hr/>

***Condensed Statement of Cash Flows  
June 30, 2013***

	<b>GTCC Innovative Resources Corp.</b>	<b>Total</b>
Net Cash Provided by Operating Activities	\$ 327,484	\$ 327,484
	<hr/>	<hr/>
Net Increase in Cash and Cash Equivalents	327,484	327,484
	<hr/>	<hr/>
Cash and Cash Equivalents, July 1, 2012	0	0
	<hr/>	<hr/>
Cash and Cash Equivalents, June 30, 2013	\$ 327,484	\$ 327,484
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**Office of the State Auditor**

**Beth A. Wood, CPA**  
State Auditor

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
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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**

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Board of Trustees  
Guilford Technical Community College  
Jamestown, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Guilford Technical Community College, a component unit of the State of North Carolina, and its discretely presented and blended component units, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 12, 2014. Our report includes a reference to other auditors who audited the financial statements of Guilford Technical Community College Foundation, Inc. and GTCC Innovative Resources Corporation, as described in our report on the College's financial statements. The financial statements of Guilford Technical Community College Foundation, Inc. and GTCC Innovative Resources Corporation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with those entities.

Internal Control Over Financial Reporting

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

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

**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)**

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prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 12, 2014

## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
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For additional information contact:

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