STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

GUILFORD TECHNICAL COMMUNITY COLLEGE

JAMESTOWN, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2015

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA

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STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
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, 2015, 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 ways listed in the back of this report.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

Beth A. Wood, CPA
State Auditor

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Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency. The Auditor also has the power to summon people to produce records and to answer questions under oath.

INDEPENDENT AUDITOR’S REPORT

STATE OF NORTH CAROLINA
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Beth A. Wood, CPA
State Auditor

INDEPENDENT AUDITOR'S REPORT

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 component unit, as of and for the year ended June 30, 2015, 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 GTCC Innovative Resources Corporation, the College's blended component unit, which represent less than one percent of the respective assets, net position, and revenues of the College; nor the financial statements of Guilford Technical Community College Foundation, Inc., the College's discretely presented component unit. 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*.

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 respective financial position of Guilford Technical Community College and its discretely presented component unit, as of June 30, 2015, and the respective 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, during the year ended June 30, 2015, Guilford Technical Community College adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68. – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, 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 January 7, 2016 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 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

January 7, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

GTCC
GUILFORD TECHNICAL COMMUNITY COLLEGE

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, 2015. 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 approximately 40,000 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.

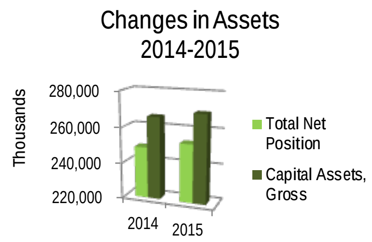
USING THE ANNUAL REPORT/ OVERVIEW OF FINANCIAL STATEMENTS

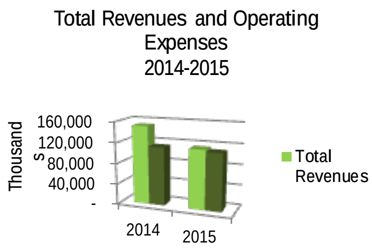
The College's financial report includes three financial statements:

- 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.

FINANCIAL HIGHLIGHTS 2014-15





- The College's total assets exceed total liabilities at June 30, 2015 by The $252,864,635 (total net position). This is a $4,102,743 increase in net position over the prior fiscal year.
- Capital assets before depreciation increased $3,444,242 to $269,563,677 on June 30, 2015.
- Total revenue for the fiscal year ended June 30, 2015 was $114,754,719 which is a decrease of $38,265,448 from the prior year. Operating revenues decreased by $1,046,593 to $13,257,552 during the same period.
- Operating expenses at June 30, 2015 decreased by $4,184,468 to $108,628,031 from the prior year.

STATEMENT OF NET POSITION

The Statement of Net Position summarizes the financial position of the College at June 30, 2015, defined by the balances of assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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. Increases or decreases in net position (excluding mandated restatements) 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, deferred outflows of resources, liabilities, and deferred inflows of resources. It is prepared under the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The net position of the College is categorized as follows:

- **Investment in capital assets** represents the College's equity in property, plant and equipment owned by the College.
- **Restricted: Expendable** are funds available for expenditure by the College that must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets.
- **Unrestricted funds** are funds available 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, 2015 and June 30, 2014.

Condensed Statement of Net Position	FY 2015	FY 2014 (As Restated)	Increase/<Decrease> Amount	Increase/<Decrease> Percent
Assets:				
Current Assets	$ 44,225,573	$ 46,339,012	$ (2,113,439)	-4.6%
Noncurrent Assets:				
Capital Assets, Net	218,381,371	220,437,886	(2,056,515)	-0.9%
Other	8,156,279	5,195,184	2,961,095	57.0%
Total Assets	270,763,223	271,972,082	(1,208,859)	-0.4%
Deferred Outflows:				
Pensions	3,424,535	3,269,090	155,445	4.8%
Liabilities:				
Current Liabilities	5,080,634	8,307,183	(3,226,549)	-38.8%
Long-Term Liabilities	4,744,048	18,172,097	(13,428,049)	-73.9%
Total Liabilities	9,824,682	26,479,280	(16,654,598)	-62.9%
Deferred Inflows:				
Pensions	11,498,441		11,498,441	
Net Position:				
Investment in Capital Assets	218,381,371	220,437,886	(2,056,515)	-0.9%
Restricted:				
Expendable	12,512,448	12,364,167	148,281	1.2%
Unrestricted	21,970,816	15,959,839	6,010,977	37.7%
Total Net Position	$ 252,864,635	$ 248,761,892	$ 4,102,743	1.6%

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

- Total current assets at June 30, 2015 were $44.2 million, a decrease of $2.1 million (4.6%) from the prior fiscal year. This is primarily due to accounts receivable associated with summer term direct loans that were accrued in June 2014 (and subsequently paid in July 2014) in the amount of $1.3 million. During the current fiscal year, that payment was made in June and no accounts receivable was due at June 30, 2015.
- Total noncurrent assets increased $0.9 million (0.4%) to $226.5 million predominately related to an increase in noncurrent cash of $2.4 million offset by a one-time impairment of construction costs of $1.7 million related to the relocation of the Transportation and Welding building from the Cameron Campus to the Jamestown Campus.
- Total Deferred Outflows is a new section in FY15 required by the implementation of GASB 68 entitled "Accounting and Financial Reporting for Pensions." For FY15, the deferred outflow represents employer contributions for retirement benefits made during the current fiscal year. The amount of the deferred outflow is $3.4 million.
- Total current liabilities decreased to $5.1 million (a decrease of $3.2 million or 38.9%) as a result of accrued direct loans payable for the second payment for summer term in FY14 that did not recur in FY15.

- Total noncurrent liabilities decreased $13.4 million primarily due to better than expected investment returns on the state's pension plan. Those returns decreased the unfunded portion of the state's pension fund thereby reducing the noncurrent liability.
- Total Deferred Inflows is also new section in FY15 related to the implementation of GASB 68. A deferred inflow denotes future liabilities for retirement benefits. The inflow represents the difference between various actuarial assumptions of the State's plan including the projected versus actual experience, the change in the College's proportionate share of the plan, and actual earnings during the year. The amount of the deferred inflow is $11.5 million.
- The total net position at June 30, 2015 was $252.8 million, an increase of $4.1 million (1.6%) over the prior fiscal year (as restated). There was a restatement in the prior year's net position related to the implementation of GASB 68. As required by the pronouncement, a restatement must be reflected for the net pension liability as of FY14. The amount of the restatement is $13.3 million.

Capital Assets

A critical factor in GTCC's ability to provide quality education is its capacity to develop, expand and improve its capital assets portfolio. Delivering a quality education in the appropriate facility and with proper equipment maximizes the learning experience for the citizens of Guilford County. A Condensed Statement of Capital Assets is presented to provide further detail on this major area of the Statement of Net Position.

Condensed Statement of Capital Assets	FY 2015	FY 2014	Increase/(Decrease) Amount	Percent
Land	$ 21,836,705	$ 20,931,167	$ 905,538	4.3%
Construction in Progress	4,225,745	51,910,643	(47,684,898)	-91.9%
Buildings	192,083,494	144,887,981	47,195,513	32.6%
General Infrastructure	16,962,658	15,967,642	995,016	6.2%
Machinery and Equipment	34,455,075	32,422,002	2,033,073	6.3%
Total	269,563,677	266,119,435	3,444,242	1.3%
Less: Accumulated Depreciation	51,182,306	45,681,549	5,500,757	12.0%
Net Capital Assets	$ 218,381,371	$ 220,437,886	$ (2,056,515)	-0.9%

Capital assets are comprised of land, construction in progress (CIP), buildings, infrastructure, equipment, vehicles, parking areas and road systems. Prior to depreciation, capital assets grew $3.4 million over the prior year. The increase is comprised predominately of the land development costs for the Cameron Campus ($.9 million) and an increase in machinery and equipment ($2.0 million).

There was a significant shift between buildings, infrastructure and CIP related to the completion of several projects. The completed projects are the Cameron Campus Center for Business and Industry ($34.5 million), the Aviation Center Classroom Building ($8.9 million), the renovation to Science Hall ($3.2 million), the High Point Center for Creative and Performing Arts ($2.3 million), and the Cameron Campus Roadway work ($.9 million).

The CIP balance at June 30, 2015 includes retainage on the Center for Business and Industry and Science Hall ($2.4 million) and the renovation of facilities for the Center for

Advanced Manufacturing (including programs such as Transportation, Welding and Machining) ($1.6 million). The Center for Advanced Manufacturing is an approximately 250,000 square foot building being renovated for future use. It is currently in the design phase with an estimated completion date of summer 2017.

Machinery and Equipment rose $2.0 million, net. Expenditures for technology were $1.0 million with other expenditures on aviation, computer technologies and continuing education programs totaling $1.1 million.

The College does not issue debt to fund capital assets. The primary funding sources for equipment expenditures are state and county appropriations. Construction expenditures are funded by state capital funds, county general obligation bonds and county appropriations.

As of June 30, 2015, Guilford Technical Community College has future commitments for construction totaling $3.1 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.

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. Due to the classification of certain revenues as non-operating revenue, the College shows a loss from operations under governmental accounting standards. State and county appropriations, while budgeted for operations, are considered nonoperating revenues and are reflected accordingly in the nonoperating section of the Statement of Revenues, Expenses and Changes in Net Position, even though these funds are used solely for operating purposes. Nonoperating revenues include activities that have non-exchange characteristics (the College received revenue without providing a commensurate good or service). In addition to state and county appropriations, the financial statements also classify federal grants (such as Pell) and contracts, and gifts as nonoperating revenues.

Student tuition and fees are reported net of scholarship discounts and allowances. Student loans are accounted for as third party payments while all other aid is reflected as operating expenses or scholarship allowances which reduce revenues.

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.

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		FY 2015	FY 2014***	Increase/(Decrease) Amount	Percent
Operating Revenues					
Student Tuition and Fees, Net		$ 6,305,910	$ 6,815,046	$ (509,136)	-7.5%
Sales and Services, Net		6,852,800	7,381,685	(528,885)	-7.2%
Other Operating Revenues		98,842	107,414	(8,572)	-8.0%
Total Operating Revenues	*	13,257,552	14,304,145	(1,046,593)	-7.3%
Operating Expenses					
Salaries and Benefits		57,994,645	62,043,549	(4,048,904)	-6.5%
Supplies and Materials		17,082,297	17,886,661	(804,364)	-4.5%
Services		11,352,791	10,237,645	1,115,146	10.9%
Scholarships and Fellowships		14,547,102	15,944,488	(1,397,386)	-8.8%
Utilities		1,964,591	1,825,705	138,886	7.6%
Depreciation		5,686,605	4,874,451	812,154	16.7%
Total Operating Expenses	**	108,628,031	112,812,499	(4,184,468)	-3.7%
Operating Loss		(95,370,479)	(98,508,354)	3,137,875	3.2%
Nonoperating Revenues (Expenses)					
State Aid	*	44,836,781	41,440,528	3,396,253	8.2%
County Appropriations	*	13,297,690	12,397,690	900,000	7.3%
Noncapital Grants - Student Financial Aid	*	34,076,590	38,069,866	(3,993,276)	-10.5%
Noncapital Grants, Gifts, and Interest	*	4,109,604	5,381,965	(1,272,361)	-23.6%
Other Nonoperating Expenses	**	(2,023,945)	(1,785,514)	(238,431)	-13.4%
Net Nonoperating Revenues		94,296,720	95,504,535	(1,207,815)	-1.3%
Loss Before Other Revenues		(1,073,759)	(3,003,819)	1,930,060	64.3%
State Capital Aid	*	2,288,367	5,607,184	(3,318,817)	-59.2%
County Capital Aid	*	2,667,900	35,341,195	(32,673,295)	-92.5%
Capital Grants and Gifts	*	220,235	477,594	(257,359)	-53.9%
Increase in Net Position		4,102,743	38,422,154	(34,319,411)	-89.3%
Net Position, Beginning of Year		262,090,968	223,668,814	38,422,154	17.2%
Restatement		(13,329,076)		(13,329,076)	
Net Position, End of Year		$ 252,864,635	$ 262,090,968	$ (9,226,333)	-3.5%

*Total Revenues equal $114,754,719.
**Total Expenses equal $110,651,976.
***Note: The year ended June 30, 2014 is not presented "as restated" above because actuarial calculations performed relative to the implementation of GASB 68 do not provide sufficient information to restate these amounts.

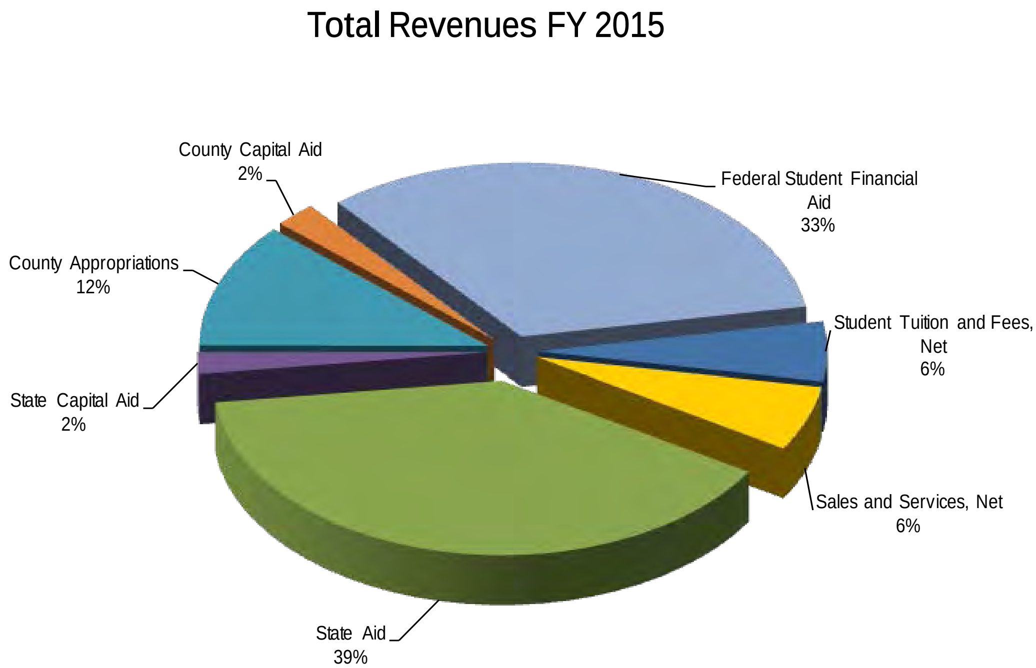
Revenues

Operating revenues dropped by $1.0 million to $13.3 million. This change is a result of a decrease of approximately 7% in both tuition and fees and in net sales and services attributed to lower bookstore sales from declining enrollment.

Net nonoperating revenues decreased $1.2 million to $94.3 million in fiscal year 2015. This was primarily due to an increase in state and county appropriations of $3.4 million and $.9 million, respectively, offset by a decrease in noncapital grants of $5.3 million.

Total revenues for the College decreased $36.8 million. This is predominately attributed to declining construction activity that resulted in a $36.0 million decrease in capital aid. State aid, net of tuition receipts collected, increased $3.4 million and constituted 39% of the College's total revenues for fiscal year 2014-15, up from 27% last year. During FY15, there were fewer capital projects (capital aid) resulting in a higher percentage of total revenues attributed to state aid.

The decrease in student financial aid reflects a decrease in enrollment of approximately 6.9% in fiscal year 2015 from the prior year. Additionally, the College is experiencing a change in the demographics of our student population from primarily full-time to part-time. These demographics have shifted approximately 3% from 50.4% full-time in fall 2013 to 47.4% full-time in fall 2014 resulting in a decline of financial aid eligibility.

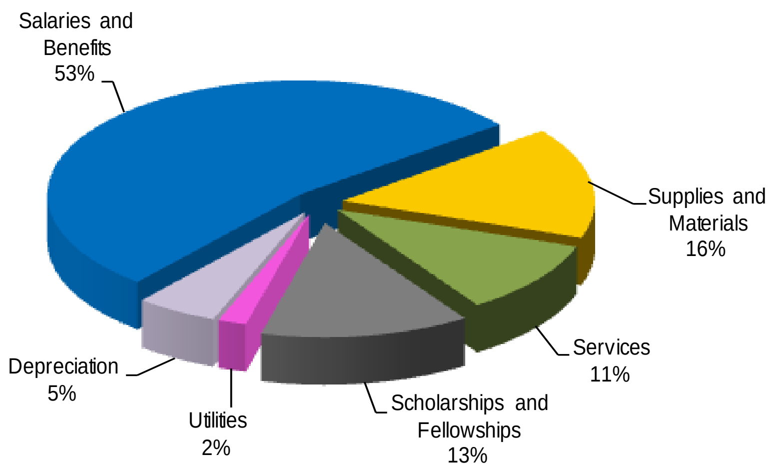


Expenses

Operating expenses for fiscal year 2015 decreased $4.2 million overall to $108.6 million primarily as a result of a decrease in personal services of $4.0 million. The decline in personal services reflects the College's management of staffing levels for declining enrollment and the resulting reductions in state funding.

Other expenses also decreased. However, the effect of large carryover projects totaling approximately $2.5 million from the prior fiscal year (shown as Accounts Payable and Accrued Liabilities in those statements) negated the impact of those reductions.

Operating Expenses FY 2015



Expenses by functional area show trends consistent with the College's focus on student retention and completion initiatives.

Expenses by Functional Area	FY 2015	FY 2014	Increase/(Decrease) Amount	
Education and General				
Instruction	$ 39,600,982	$ 43,406,700	$ (3,805,718)	-8.8%
Academic Support	7,759,097	8,259,156	(500,059)	-6.1%
Student Services	5,013,719	5,139,380	(125,661)	-2.4%
Institutional Support	14,641,336	14,341,537	299,799	2.1%
Operations and Maintenance of Plant	10,853,338	10,021,151	832,187	8.3%
Student Financial Aid	14,547,102	15,944,488	(1,397,386)	-8.8%
Total Educational and General	92,415,574	97,112,412	(4,696,838)	-4.8%
Other Operating Expenses				
Auxiliary Enterprises	9,198,454	10,825,636	(1,627,182)	-15.0%
Depreciation/ Amortization	5,686,605	4,874,451	812,154	16.7%
Pension Expense	1,327,398		1,327,398	
Total Other Operating Expenses	16,212,457	15,700,087	512,370	3.3%
Total Operating Expenses	$ 108,628,031	$ 112,812,499	$ (4,184,468)	-3.7%

- Instructional, Academic Support, Student Services and Institutional Support all reflect decreases associated with reductions in salaries and benefits as discussed above.
- Institutional Support personal services cost reductions are mitigated by increased supplies, materials and services costs. These relate primarily to software purchases and contracted services for scanning projects.
- Increases in Operations and Maintenance of Plant reflect the increased county appropriations and the resulting increase in maintenance costs related to projects that had been deferred in prior years, operating costs for new facilities as well as increases related to utilities.

- Decreases in Student Financial Aid were caused by declining enrollment and changing student demographics as discussed above.
- Decreases in Auxiliary Enterprises correlate to decreased bookstore expenses related to focused inventory management because of declining enrollment.
- Increases in Depreciation were caused by the first year depreciation expense for the completed construction projects.
- A new line for fiscal year 2015 is pension expense. This is the recognition of current year expenses associated with the implementation of GASB 68 as discussed above.

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.

This schedule is prepared from the College's Statement of Cash Flows.

Condensed Statement of Cash Flows	FY 2015	FY 2014	Increase/<Decrease>	
			Amount	Percent
Cash Flows from Operating Activities	$ (94,381,907)	$ (90,434,049)	$ (3,947,858)	-4.4%
Cash Flows from Noncapital Financing Activities	97,481,422	95,845,343	1,636,079	1.7%
Cash Flows from Capital and Related Financing Activities	21,938	129,347	(107,409)	-83.0%
Cash Flows from Investing Activities	103,977	94,892	9,085	9.6%
Net increase (decrease) in cash and cash equivalents	3,225,430	5,635,533	(2,410,103)	-42.8%
Cash and cash equivalents, July 1	37,857,243	32,221,710	5,635,533	17.5%
Cash and cash equivalents, June 30	$ 41,082,673	$ 37,857,243	$ 3,225,430	8.5%

FACTORS IMPACTING FUTURE PERIODS

Community colleges continue to be at the forefront of national and state discussions concerning education. The nation's politicians debate such proposals as how to fund two years of free community college. The state's officials are reviewing proposals for two years of free tuition to community college along with deferred admission to the state's university system for qualified students. Additionally, after a national search, Guilford County was selected to become the next Say Yes to Education Community. Say Yes will provide last dollar tuition scholarships for all graduates of Guilford County Schools to attend North Carolina state colleges and universities. Say Yes focuses on community support and provides seed money to assist in scholarships, student support and school success.

As discussions about potentially major new initiatives rage, there is a heightened emphasis on accountability at all levels. The guiding principle of the 2014-15 Department of Education Performance Goals is "Using Evidence to Drive Improvements in Policies and Programs" and incorporates the use of high-quality and timely data including evaluations and performance measures. At the state level, efforts continue to refine performance measures with consideration being given to move toward 100% performance funding. Many of the new reporting measures track data that has not been previously gathered and uncertainty surrounds the imposition of additional reporting requirements.

Although tuition remains low, a majority of the College's students continue to qualify for financial aid, predominately in the form of Pell Grants and William D. Ford Direct Loans. The College is investing additional resources to review, monitor and manage the federal direct loan default rate to avoid any jeopardy to its overall federal aid programs.

Economic recovery continues on both a national and state level. However, community college enrollments tend to respond inversely to the economy. During the Great Recession, the College experienced significant growth with enrollment peaking in 2010-11. During the 2009-10 year alone, enrollment spiked 22%. On average, the state's community college system saw an increase in that year of 13%. Since that time, enrollment has declined both at the College and around the state. The College's enrollment decline is steeper than the system as an average but its enrollment growth was also steeper than the system average.

In addition to reductions in overall enrollment, the proportion of full-time to part-time students is shifting from predominately full-time to predominantly part-time. These shifts further erode funding based on the current model as there are fewer full-time equivalent (FTE's) students and the College's funding is based on FTE's.

Despite an overall decline, or normalizing, of our enrollment, there are programs in which interest and/or demand outweigh College resources. For example, the welding program enrollment is limited due to space constraints and the unique facility requirements of that program. Nursing and aviation programs are restricted due to external agency requirements. Statewide policy shifts have increased demand for certain transfer courses and reduced need for remedial or developmental courses. Additionally, the College is moving ahead with plans to occupy space in the Union Square Campus which is a partnership of business and higher educational institutions from Greensboro. The focus is on training and education for healthcare professions. The College will expand part of its nursing program, which is one of its most popular and limited enrollment programs, to Union Square, increasing capacity at its current location.

Meanwhile, the Comprehensive Articulation Agreement (CAA) between the State Board of Community Colleges and University of North Carolina Board of Governors that went into effect fall 2014 is resulting in growing general education courses such as art history and geology. The revised CAA makes college transfer options better defined and easier to follow making it more attractive as students can save substantially on their first two years of higher education. Enrollment in these types of college transfer courses is at an all-time high. In August 2015, a similar agreement between the State Board of Community Colleges and the North Carolina Independent Colleges and Universities was signed and is effective for fall 2015. The College anticipates that student participation in both of the agreements will keep college transfer enrollment elevated.

Adapting to these challenges 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 2014-15, the College embarked on a two-year effort to manage enrollment and restructure to reduce costs, improve the efficiency and effectiveness of its operations, and maximize revenue opportunities. The College decreased the operating budget of many departments including reduction of budgeted positions in a number of areas of the College. The effort is expected to continue during 2015-16 as the College further hones the reallocation of fiscal, physical and human resources for instructional programs and administrative support requirements.

The College must balance the demands of classroom instruction and related support functions with the requirement to provide acceptably safe and desirable facilities. North Carolina general statutes require that the local government provide funding for maintenance and operation of facilities. The level of county support is critical to the mission of the College and impacts the ability to maintain its facilities.

The College is struggling to regain the financial resources to maintain facilities that were diminished during the recession. Buildings show the reduced ability of the College to maintain facilities at the desired level of care. Where funding is available, the College emphasizes safety first in both maintenance issues and campus safety. As requirements to enhance campus safety have increased, other areas of facilities management have suffered. Emphasis on funding to maintain and operate facilities at appropriate service levels will continue to be a focus for College leadership.

Due to economic conditions and a reluctance to incur debt before it is required, the County has not sold all the bonds approved for GTCC in a 2008 bond referendum. During 2014-15, the College expended all cash available from bonds issued on its behalf. Although the College has completed most major construction projects, there is still one large and critical project that is in its design phase. This project will provide unique space customized to several of our space-constrained programs such as the welding program mentioned previously. In order to complete the project, additional funds must continue to be made available by the County for the College's use.

Despite these challenges, Guilford Technical Community College continues to look forward to the future. The College continues to build strong relationships with the various constituencies within Guilford County and aspires to positively impact its citizens.

FINANCIAL STATEMENTS

Guilford Technical Community College
Statement of Net Position
June 30, 2015

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	32,017,206
Restricted Cash and Cash Equivalents		5,184,772
Receivables, Net (Note 3)		3,993,088
Due from Community College Component Units		22,305
Inventories		923,211
Prepaid Items		2,084,258
Notes Receivable		733
Total Current Assets		44,225,573
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		3,880,695
Restricted Due from Primary Government		4,275,584
Capital Assets - Nondepreciable (Note 4)		26,062,450
Capital Assets - Depreciable, Net (Note 4)		192,318,921
Total Noncurrent Assets		226,537,650
Total Assets		270,763,223
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		3,424,535
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		3,359,901
Unearned Revenue		866,097
Funds Held for Others		452,431
Long-Term Liabilities - Current Portion (Note 6)		402,205
Total Current Liabilities		5,080,634
Noncurrent Liabilities:		
Long-Term Liabilities (Note 6)		4,744,048
Total Liabilities		9,824,682
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		11,498,441

NET POSITION	
Net Investment in Capital Assets	218,381,371
Restricted for:	
Expendable:	
Scholarships and Fellowships	12,154
Capital Projects	7,571,263
Other	4,929,031
Unrestricted	21,970,816
Total Net Position	$ 252,864,635

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, 2015

Exhibit A-2

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	$	6,305,910
Sales and Services, Net (Note 8)		6,852,800
Other Operating Revenues		98,842
Total Operating Revenues		13,257,552
EXPENSES		
Operating Expenses:		
Salaries and Benefits		57,994,645
Supplies and Materials		17,082,297
Services		11,352,791
Scholarships and Fellowships		14,547,102
Utilities		1,964,591
Depreciation		5,686,605
Total Operating Expenses		108,628,031
Operating Loss		(95,370,479)
NONOPERATING REVENUES (EXPENSES)		
State Aid		44,836,781
County Appropriations		13,297,690
Noncapital Grants - Student Financial Aid		34,076,590
Noncapital Grants		3,842,293
Noncapital Gifts		163,334
Investment Income		103,977
Other Nonoperating Expenses		(2,023,945)
Net Nonoperating Revenues		94,296,720
Loss Before Other Revenues		(1,073,759)
State Capital Aid		2,288,367
County Capital Aid		2,667,900
Capital Grants		135,911
Capital Gifts		84,324
Increase in Net Position		4,102,743
NET POSITION		
Net Position, July 1, 2014 as Restated (Note 16)		248,761,892
Net Position, June 30, 2015	$	252,864,635

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 13,214,524
Payments to Employees and Fringe Benefits	(60,046,427)
Payments to Vendors and Suppliers	(32,942,821)
Payments for Scholarships and Fellowships	(14,547,102)
Loans Issued to Students	(38,278)
Collection of Loans to Students	37,894
Other Payments	(59,697)
Net Cash Used by Operating Activities	(94,381,907)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	44,836,781
County Appropriations	13,297,690
Noncapital Grants - Student Financial Aid	35,416,305
Noncapital Grants	3,789,244
Noncapital Gifts	141,027
William D. Ford Direct Lending Receipts	32,135,071
William D. Ford Direct Lending Disbursements	(32,134,696)
Net Cash Provided by Noncapital Financing Activities	97,481,422
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	2,758,325
County Capital Aid	3,255,551
Capital Grants	135,911
Proceeds from Sale of Capital Assets	78,721
Acquisition and Construction of Capital Assets	(6,206,570)
Net Cash Provided by Capital and Related Financing Activities	21,938
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	103,977
Net Increase in Cash and Cash Equivalents	3,225,430
Cash and Cash Equivalents, July 1, 2014	37,857,243
Cash and Cash Equivalents, June 30, 2015	$ 41,082,673

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(95,370,479)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		5,686,605
Pension Expense		1,327,398
Nonoperating Other Expenses		(75,775)
Changes in Assets, Liabilities, and Deferred Outflows of Resources:		
Receivables, Net		59,720
Inventories		218,921
Prepaid Items		(226,850)
Notes Receivable, Net		(384)
Accounts Payable and Accrued Liabilities		(2,662,357)
Unearned Revenue		(79,099)
Funds Held for Others		(7,570)
Deferred Outflows - Contributions After the Measurement Date		(3,424,535)
Compensated Absences		172,498
Net Cash Used by Operating Activities	$	(94,381,907)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	32,017,206
Restricted Cash and Cash Equivalents		5,184,772
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		3,880,695
Total Cash and Cash Equivalents - June 30, 2015	$	41,082,673

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	$	2,409,769
Assets Acquired through a Gift		84,324
Construction Impairment Loss		(1,703,875)
Loss on Disposal of Capital Assets		(165,575)

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, 2015 — *Exhibit B-1*

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	133,061
Accounts Receivable		39,368
Promises to Give Due Within One Year		559,598
Investments - Available for Sale		9,929,087
Prepaid Expenses		5,235
Inventory		11,467
Total Current Assets		10,677,816
Other Assets:		
Promises to Give Due After One Year, Less Discounts of $304,698		620,246
Investments - Partnership Interests		398,654
Land		1,165,726
Beneficial Interest in Charitable Remainder Trust		115,448
Total Other Assets		2,300,074
Total Assets	$	12,977,890
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	$	29,726
Deferred Revenue		23,987
Total Current Liabilities		53,713
NET ASSETS		
Unrestricted		6,191,022
Temporarily Restricted		3,408,421
Permanently Restricted		3,324,734
Total Net Assets		12,924,177
Total Liabilities and Net Assets	$	12,977,890

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

Guilford Technical Community College Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2015 *Exhibit B-2*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Foundation Properties	Total
SUPPORT AND REVENUE					
Contributions, Net of Discounts	$ 44,430	$ 363,601	$ (58,814)	$ 105,000	$ 454,217
Change in Beneficial Interest in Charitable Remainder Trust			(10,049)		(10,049)
Grants		10,000			10,000
Investment Income	206,461	653	(75)		207,039
Miscellaneous Income	34	9,540			9,574
Administrative Services Contributed by College	203,837				203,837
Contributed Materials and Equipment	50,181				50,181
Net Asset Releases/Reclassifications:					
Net Assets Released from Restrictions	610,778	(610,778)			
Total Support and Revenue	1,115,721	(226,984)	(68,938)	105,000	924,799
OPERATING EXPENSES					
Program Support	308,843				308,843
Student Aid	231,211				231,211
Grants and Projects	36,007				36,007
Materials and Equipment Contributed to the College	214,254				214,254
Administration	263,389				263,389
Total Operating Expenses	1,053,704				1,053,704
Excess (Deficit) of Revenues over Expenses	62,017	(226,984)	(68,938)	105,000	(128,905)
Net Transfers Among Funds	(111,947)	111,947			
(Decrease)/Increase in Net Assets	(49,930)	(115,037)	(68,938)	105,000	(128,905)
Net Assets at Beginning of the Year	5,076,466	3,523,458	3,393,672	1,059,486	13,053,082
Net Assets at the End of the Year	$ 5,026,536	$ 3,408,421	$ 3,324,734	$ 1,164,486	$ 12,924,177

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

NOTES TO THE FINANCIAL STATEMENTS

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. See below for further discussion of the College's component units.

Financial statements for the College and its blended and discretely presented component units are presented as of and for the fiscal year ended June 30, 2015.

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 14-member board consisting of five ex officio directors, six elected directors, and three non-voting liaison directors. GIRC's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the College has operational responsibility for GIRC 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 Chief Financial Officer, P.O. Box 309, Jamestown, NC 27282. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

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

Discretely Presented Component Unit - Guilford Technical Community College Foundation, Inc. (Foundation) is a legally separate nonprofit 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 23 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 nonprofit 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, 2015, the Foundation expended $790,315 to, or for the benefit of, the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the College 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.

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, 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 at last invoice cost.

G. **Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The 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 in the following manner:

Asset Class	Estimated Useful Life
Buildings	50 years
Machinery & Equipment	2-25 years
General Infrastructure	50-75 years

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 resources restricted for the acquisition or construction of capital assets, resources whose use is limited by external parties or statute.

I. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include net pension liability and compensated absences that will not be paid within the next fiscal year.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2014 *Comprehensive Annual Financial Report.* This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 10 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

J. Compensated Absences - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 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. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets are also included in this component of net position.

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.

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. Both restricted and unrestricted net position include consideration of deferred outflows and inflows of resources.

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, (2) sales and services of auxiliary enterprises, and (3) certain federal, state, and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9 - *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

N. **Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as central stores, the duplicating center, and postal services. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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. Cash on hand at June 30, 2015 was $11,205. The carrying amount of the College's deposits not with the State Treasurer was $19,273,667, and the bank balance was $21,518,010.

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, 2015, 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 (STIF); 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, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes $21,797,801, 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 1.5 years as of June 30, 2015. 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.

A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2015, is as follows:

Cash on Hand	$ 11,205
Carrying Amount of Deposits with Private Financial Institutions	19,273,667
Investments in the Short-Term Investment Fund	21,797,801
Total Deposits and Investments	$ 41,082,673
Deposits	
Current:	
Cash and Cash Equivalents	$ 32,017,206
Restricted Cash and Cash Equivalents	5,184,772
Noncurrent:	
Restricted Cash and Cash Equivalents	3,880,695
Total Deposits and Investments	$ 41,082,673

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:

	Fair Value
Investment Type	
Cash and Cash Equivalents	$ 235,105
Fixed Income Funds	4,564,553
Equity Funds	4,407,667
Diversifying Funds	442,341
Bond Funds	279,421
Total Investments	$ 9,929,087

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

		Gross Receivables		Less Allowance for Doubtful Accounts		Net Receivables
Current Receivables:						
Students	$	1,520,083	$	645,846	$	874,237
Student Sponsors		96,283				96,283
Accounts		444,119				444,119
Intergovernmental		2,409,769				2,409,769
Other		173,883		5,203		168,680
Total Current Receivables	$	4,644,137	$	651,049	$	3,993,088

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2015 is presented as follows:

		Balance July 1, 2014		Increases		Decreases		Balance June 30, 2015
Capital Assets, Nondepreciable:								
Land	$	20,931,167	$	984,258	$	78,720	$	21,836,705
Construction in Progress		51,910,643		2,985,813		50,670,711		4,225,745
Total Capital Assets, Nondepreciable		72,841,810		3,970,071		50,749,431		26,062,450
Capital Assets, Depreciable:								
Buildings		144,887,981		47,195,513				192,083,494
Machinery and Equipment		32,422,002		2,463,217		430,144		34,455,075
General Infrastructure		15,967,642		995,016				16,962,658
Total Capital Assets, Depreciable		193,277,625		50,653,746		430,144		243,501,227
Less Accumulated Depreciation for:								
Buildings		33,789,825		3,401,452				37,191,277
Machinery and Equipment		8,893,376		1,971,533		185,848		10,679,061
General Infrastructure		2,998,348		313,620				3,311,968
Total Accumulated Depreciation		45,681,549		5,686,605		185,848		51,182,306
Total Capital Assets, Depreciable, Net		147,596,076		44,967,141		244,296		192,318,921
Capital Assets, Net	$	220,437,886	$	48,937,212	$	50,993,727	$	218,381,371

Decreases in Construction in Progress include a $1,703,875 impairment loss related to the relocation of the Transportation and Welding building from the Cameron Campus to the Jamestown Campus. This loss is reflected in Other Nonoperating Expenses.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2015, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 209,266
Accrued Payroll	749,354
Contract Retainage	2,344,038
Other	57,243
Total Current Accounts Payable and Accrued Liabilities	$ 3,359,901

NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2015, is presented as follows:

	Balance July 1, 2014 (As Restated)	Additions	Reductions	Balance June 30, 2015	Current Portion
Net Pension Liability	$ 16,598,166	$ 0	$ 13,440,133	$ 3,158,033	$ 0
Compensated Absences	1,815,723	2,072,381	1,899,884	1,988,220	402,205
Total Long-Term Liabilities	$ 18,413,889	$ 2,072,381	$ 15,340,017	$ 5,146,253	$ 402,205

Additional information regarding the net pension liability is included in Note 10.

NOTE 7 - OPERATING LEASE OBLIGATIONS

The College has entered into operating leases for property and equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2015:

Fiscal Year	Amount
2016	$ 524,093
2017	520,379
2018	464,084
2019	233,588
2020	37,032
2021-2025	186,779
2026-2030	189,793
2031-2035	193,288
2036-2040	40,673
Total Minimum Lease Payments	$ 2,389,709

Rental expense for all operating leases during the year was $529,319.

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 Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 22,129,051	$ 0	$ 15,999,909	$ (176,768)	$ 6,305,910
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Dining	$ 385,391	$ 0	$ 0	$ 0	$ 385,391
Bookstore	9,127,198		3,470,468	1,023	5,655,707
Other	767,693	530,056		(1,834)	239,471
Sales and Services of Education and Related Activities	572,231				572,231
Total Sales and Services	$ 10,852,513	$ 530,056	$ 3,470,468	$ (811)	$ 6,852,800

NOTE 9 - OPERATING EXPENSES BY FUNCTION

The College's operating expenses by functional classification are presented as follows:

	Salaries and Benefits	Supplies and Equipment	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 33,089,112	$ 4,627,710	$ 1,884,160	$ 0	$ 0	$ 0	$ 39,600,982
Academic Support	6,215,577	849,842	693,678				7,759,097
Student Services	4,136,808	687,850	189,061				5,013,719
Institutional Support	7,621,296	2,647,613	4,372,427				14,641,336
Operations and Maintenance of Plant	4,164,120	789,444	3,935,183		1,964,591		10,853,338
Student Financial Aid				14,547,102			14,547,102
Auxiliary Enterprises	1,440,334	7,479,838	278,282				9,198,454
Depreciation						5,686,605	5,686,605
Pension Expense	1,327,398						1,327,398
Total Operating Expenses	$ 57,994,645	$ 17,082,297	$ 11,352,791	$ 14,547,102	$ 1,964,591	$ 5,686,605	$ 108,628,031

NOTE 10 - PENSION PLAN

Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2015 was 9.15% of covered payroll. The College's contributions to the pension plan were $3,424,535, and employee contributions were $2,245,597 for the year ended June 30, 2015.

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2014 *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.

TSERS Basis of Accounting: The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan's fiduciary net position was determined on the same basis used by the pension plan.

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2014 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2015, the College reported a liability of $3,158,033 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2014, the College's proportion was 0.26936%, which was a decrease of 0.00404% from its proportion measured as of June 30, 2013.

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2013
Inflation	3%
Salary Increases*	4.25% - 9.10%
Investment Rate of Return**	7.25%

* Salary increases include 3.5% inflation and productivity factor.
** Investment rate of return is net of pension plan investment expense, including inflation.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuations were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc Cost of Living Adjustment (COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.5%
Global Equity	6.1%
Real Estate	5.7%
Alternatives	10.5%
Credit	6.8%
Inflation Protection	3.7%

The information above is based on 30-year expectations developed with the consulting actuary for the 2013 asset, liability and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 22,670,549	$ 3,158,033	$ (13,317,445)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2015, the College recognized pension expense of $1,327,398. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	$ 0	$ 736,120
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		10,669,840
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions		92,481
Contributions Subsequent to the Measurement Date	3,424,535	
Total	$ 3,424,535	$ 11,498,441

The amount of $3,424,535 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in Pension Expense:

Year ended June 30:	Amount
2016	$ (2,886,089)
2017	(2,886,089)
2018	(2,886,089)
2019	(2,840,174)
Total	$ (11,498,441)

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 (TSERS). 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 TSERS 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 5.49% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2014, and 2013, were 5.4% and 5.3%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, which were $2,054,721, $2,031,423, and $2,057,206, 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 TSERS. 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, 2015, the College made a statutory contribution of .41% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2014, and 2013, were .44% in both years. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2015, 2014, and 2013, which were $153,449, $165,523, and $170,787, 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.

A. Employee Benefit Plans

1. State Health Plan

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.

2. Death Benefit Plan of North Carolina

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.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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 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.

2. Public Officers' and Employees' Liability Insurance

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.

3. Employee Dishonesty and Computer Fraud

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 funds 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 annual aggregate error and omissions policy with a $10,000 deductible purchased from a private insurance company covering trustees, employees, volunteers, student teachers and interns.

4. Statewide Workers' Compensation Program

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.

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

The College has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were $3,126,529 at June 30, 2015.

NOTE 14 - RELATED PARTIES

The GHG Construction Corporation (GHG) is a separate nonprofit corporation established to foster, promote, manage, and develop the College's carpentry program. The records of the corporation are maintained separately by the College. GHG contracts with an independent accounting firm to audit its financial records and prepare and Independent Auditor's Report. This report is provided to the College and to GHG Board members by the independent auditor.

NOTE 15 - BLENDED COMPONENT UNIT

Condensed combining information for the College's blended component unit for the year ended June 30, 2015, is presented as follows:

Condensed Statement of Net Position
June 30, 2015

	GTCC	GIRC	Eliminations	Total
ASSETS				
Current Assets	$ 43,891,696	$ 334,079	$ (202)	$ 44,225,573
Capital Assets	218,381,371			218,381,371
Other Noncurrent Assets	8,156,279			8,156,279
Total Assets	270,429,346	334,079	(202)	270,763,223
DEFERRED OUTFLOWS OF RESOURCES	3,424,535			3,424,535
LIABILITIES				
Current Liabilities	5,052,426	28,308	(100)	5,080,634
Long-Term Liabilities	4,744,048			4,744,048
Total Liabilities	9,796,474	28,308	(100)	9,824,682
DEFERRED INFLOWS OF RESOURCES	11,498,441			11,498,441
NET POSITION				
Net Investment in Capital Assets	218,381,371			218,381,371
Restricted - Expendable	12,491,344	21,104		12,512,448
Unrestricted	21,686,251	284,667	(102)	21,970,816
Total Net Position	$ 252,558,966	$ 305,771	$ (102)	$ 252,864,635

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

	GTCC	GIRC	Eliminations	Total
OPERATING REVENUES				
Student Tuition and Fees, Net	$ 6,305,910	$ 0	$ 0	$ 6,305,910
Sales and Services, Net	6,540,915	407,469	(95,584)	6,852,800
Other Operating Revenues	98,842			98,842
Total Operating Revenues	12,945,667	407,469	(95,584)	13,257,552
OPERATING EXPENSES				
Operating Expenses	102,588,789	359,849	(7,212)	102,941,426
Depreciation	5,686,605			5,686,605
Total Operating Expenses	108,275,394	359,849	(7,212)	108,628,031
Operating Income (Loss)	(95,329,727)	47,620	(88,372)	(95,370,479)
NONOPERATING REVENUES (EXPENSES)				
State Aid	44,836,781			44,836,781
County Appropriations	13,297,690			13,297,690
Noncapital Grants - Student Financial Aid	34,076,590			34,076,590
Noncapital Grants	3,817,287	25,006		3,842,293
Noncapital Gifts, Net	128,334	36,707	(1,707)	163,334
Investment Income	103,977			103,977
Other Nonoperating Expenses	(2,023,945)			(2,023,945)
State Capital Aid	2,288,367			2,288,367
County Capital Aid	2,667,900			2,667,900
Capital Grants	135,911			135,911
Capital Gifts, Net	84,324			84,324
Net Nonoperating Revenues (Expenses)	99,413,216	61,713	(1,707)	99,473,222
Increase (Decrease) in Net Position	4,083,489	109,333	(90,079)	4,102,743
NET POSITION				
Net Position, July 1, 2014 (As Restated)	248,565,454	196,438		248,761,892
Net Position, June 30, 2015	$ 252,648,943	$ 305,771	$ (90,079)	$ 252,864,635

Condensed Statement of Cash Flows
June 30, 2015

	GTCC	GIRC	Total
Net Cash Used by Operating Activities	$ (94,281,096)	$ (100,811)	$ (94,381,907)
Net Cash Provided by Noncapital Financing Activities	97,481,422		97,481,422
Net Cash Provided by Capital and Related Financing Activities	21,938		21,938
Net Cash Provided by Investing Activities	103,977		103,977
Net Increase (Decrease) in Cash and Cash Equivalents	3,326,241	(100,811)	3,225,430
Cash and Cash Equivalents, July 1, 2014	37,505,284	351,959	37,857,243
Cash and Cash Equivalents, June 30, 2015	$ 40,831,525	$ 251,148	$ 41,082,673

NOTE 16 - NET POSITION RESTATEMENT

As of July 1, 2014, net position as previously reported was restated as follows:

		Amount
July 1, 2014 Net Position as Previously Reported	$	262,090,968
Restatements:		
Record the College's Net Pension Liability and Pension Related Deferred Outflows of Resources per GASB 68 Requirements		(13,329,076)
July 1, 2014 Net Position as Restated	$	248,761,892

REQUIRED SUPPLEMENTARY INFORMATION

Guilford Technical Community College
Required Supplementary Information
Schedule of the Proportionate Net Pension Liability
Teachers' and State Employees' Retirement System
Last Two Fiscal Years — *Exhibit C-1*

	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	0.26936%	0.27340%
Proportionate Share of TSERS Collective Net Pension Liability	$ 3,158,033	$ 16,598,166
Covered-Employee Payroll	$ 37,618,950	$ 38,815,203
Net Pension Liability as a Percentage of Covered-Employee Payroll	8.39%	42.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.24%	90.60%

Guilford Technical Community College
Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years

Exhibit C-2

	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 3,424,535	$ 3,269,087	$ 3,233,306	$ 2,809,147	$ 1,803,035
Contributions in Relation to the Contractually Determined Contribution	3,424,535	3,269,087	3,233,306	2,809,147	1,803,035
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 37,426,607	$ 37,618,950	$ 38,815,203	$ 37,757,353	$ 36,572,723
Contributions as a Percentage of Covered-Employee Payroll	9.15%	8.69%	8.33%	7.44%	4.93%

	2010	2009	2008	2007	2006
Contractually Required Contribution	$ 1,235,661	$ 1,144,413	$ 957,696	$ 762,036	$ 603,454
Contributions in Relation to the Actuarially Determined Contribution	1,235,661	1,144,413	957,696	762,036	603,454
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 34,612,341	$ 34,059,921	$ 31,399,865	$ 28,647,965	$ 25,788,641
Contributions as a Percentage of Covered-Employee Payroll	3.57%	3.36%	3.05%	2.66%	2.34%

Guilford Technical Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
For the Fiscal Year Ended June 30, 2015

Changes of Benefit Terms:

Cost of Living Increase

2014	2013	2012	2011	2010	2009	2008	2007	2006
N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

Changes of assumptions. In 2008, and again in 2012, the rates of withdrawal, mortality, service retirement and salary increase for active members and the rates of mortality for beneficiaries were adjusted to more closely reflect actual experience. Assumptions for leave conversions and loads were also revised in 2012.

Independent Auditor's Report

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
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, 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 component unit, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 7, 2016. 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.

<u>Internal Control Over Financial Reporting</u>

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 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.

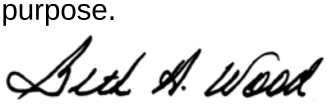
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

January 7, 2016

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For additional information contact:
Bill Holmes
Director of External Affairs
919-807-7513

This audit required 371 audit hours at an approximate cost of $36,729.