Guilford Technical Community College
Audited Financial Statements
Jamestown, North Carolina
As of and for the Year Ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

Members of the 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 (the "College"), a component unit of the State of North Carolina, and the discretely presented component unit, Guilford Technical Community College Foundation, Inc. (the "Foundation") as well as its blended component unit, GTCC Innovative Resources Corporation as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statement 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 in the auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guilford Technical Community College and its discretely presented component unit of the College, as of June 30, 2016, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016 on our consideration of the College's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

LBA Haynes Strand, PLLC

Matthews, North Carolina
November 22, 2016

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, 2016. 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 NC. 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.

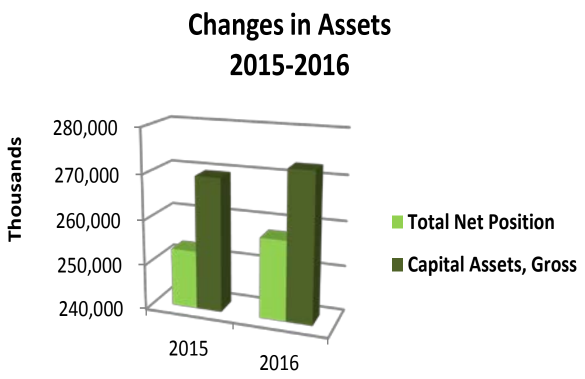
USING THE ANNUAL REPORT/ OVERVIEW OF FINANCIAL STATEMENTS

The College's financial report includes three financial statements:

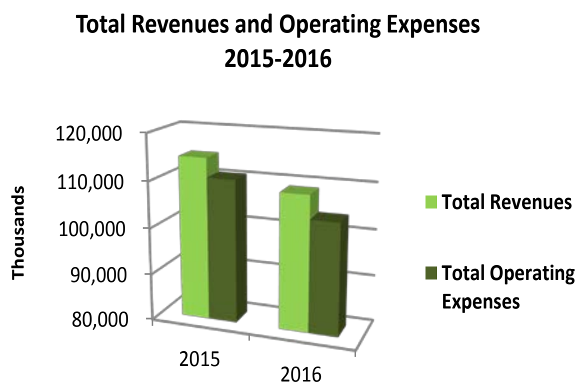
- The Statement of Net Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows.

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 2015-16



- The College's total assets exceed total liabilities at June 30, 2016 by $257,868,848 (total net position). This is a $5,004,213 increase in net position over the prior fiscal year.
- Capital assets before depreciation increased $3,246,070 to $272,809,747 on June 30, 2016.



- Total revenues for the fiscal year ended June 30, 2016 were $108,626,562 which is a decrease of $6,128,157 from the prior year. Operating revenues decreased by $206,846 to $13,050,706 during the same period.
- Operating expenses at June 30, 2016 decreased by $5,213,451 to $103,414,580 from the prior year.

STATEMENT OF NET POSITION

The Statement of Net Position summarizes the financial position of the College at June 30, 2016, defined by the balances of assets, liabilities, and assets net of liabilities. The statement is a point-in-time statement, the purpose of which is to present a fiscal snapshot of the College. From the data presented, readers of this statement are able to determine the assets available to continue the operations of the institution. The net position is one indicator of the College's financial health. 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 and liabilities. It is prepared under the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The 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, 2016 and June 30, 2015.

Condensed Statement of Net Position	FY 2016	FY 2015	Increase/<Decrease>	
			Amount	Percent
Assets:				
Current Assets	$ 39,657,089	$ 44,225,573	$ (4,568,484)	-10.3%
Noncurrent Assets:				
Capital Assets, Net	216,143,339	218,381,371	(2,238,032)	-1.0%
Other	15,762,398	8,156,279	7,606,119	93.3%
Total Assets	271,562,826	270,763,223	799,603	0.3%
Deferred Outflows:				
Pensions	3,322,583	3,424,535	(101,952)	-3.0%
Total Deferred Outflows	3,322,583	3,424,535	(101,952)	-3.0%
Liabilities:				
Current Liabilities	3,325,113	5,080,634	(1,755,520)	-34.6%
Noncurrent Liabilities	11,373,861	4,744,048	6,629,813	139.8%
Total Liabilities	14,698,974	9,824,682	4,874,293	49.6%
Deferred Inflows:				
Pensions	2,317,587	11,498,441	(9,180,854)	-79.8%
Total Deferred Inflows	2,317,587	11,498,441	(9,180,854)	-79.8%
Net Position:				
Investment in Capital Assets	216,143,339	218,381,371	(2,238,032)	-1.0%
Restricted:				
Expendable	20,718,563	12,512,448	8,206,115	65.6%
Unrestricted	21,006,946	21,970,816	(963,870)	-4.4%
Total Net Position	$ 257,868,848	$ 252,864,635	$ 5,004,213	2.0%

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

- Total current assets at June 30, 2016 were $39.7 million, a decrease of $4.6 million (10.3%) from the prior fiscal year. This is primarily due to classifying cash for construction projects into non-current assets as well as a reduction in accounts receivable associated with construction projects in the amount of $1.9 million.

- Total noncurrent assets increased $5.4 million (2.4%) to $231.9 million predominately related to an increase in non-current cash of $4.9 million and $2.7 million in accounts receivable due from primary government related to construction projects. These increases were offset by a net decrease in capital assets caused by depreciation expense exceeding new purchases for the year.

- Total Deferred Outflows for FY16 represents employer contributions for retirement benefits made during the current fiscal year. The amount of the deferred outflow is relatively flat from FY15 with a reduction of $0.1 million.

- Total current liabilities decreased to $3.3 million (a decrease of $1.8 million or 34.6%) as a result of a decrease in retainage payable for construction projects.

- Total noncurrent liabilities increased $6.6 million due to the recognition of the net pension liability. This increase was primarily caused by reduced earnings of the State's retirement plan.

- Total Deferred Inflows for FY16 is $2.3 million. This is a reduction of $9.2 million from the prior year. The decrease relates to the increase in noncurrent liabilities.

- The total net position at June 30, 2016 was $257.9 million, an increase of $5.0 million (2.0%) over the prior fiscal year.

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 2016	FY 2015	Increase/(Decrease)	
			Amount	Percent
Land	$ 21,848,041	$ 21,836,705	$ 11,336	0.1%
Construction in Progress	3,448,277	4,225,745	(777,468)	-18.4%
Buildings	193,490,453	192,083,494	1,406,959	0.7%
General Infrastructure	16,962,658	16,962,658	0	0.0%
Machinery and Equipment	37,060,319	34,455,075	2,605,244	7.6%
Total	272,809,747	269,563,677	3,246,071	1.2%
Less: Accumulated Depreciation	56,666,408	51,182,306	5,484,102	10.7%
Net Capital Assets	$ 216,143,339	$ 218,381,371	$ (2,238,031)	-1.0%

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 $3.2 million over the prior year. The increase is comprised predominately of an increase in machinery and equipment ($2.6 million).

The CIP and Buildings lines show less activity during FY16 as large construction projects were completed in the prior year. The net $0.6 million increase was related to completion of remaining items over several projects including the Business and Industry and Aviation Center Classroom buildings.

The CIP balance at June 30, 2016 includes remaining retainage on the Center for Business and Industry ($0.4 million) and the beginning costs for the renovation of facilities for the Center for Advanced Manufacturing. The Center for Advanced Manufacturing (CAM) is an approximately 250,000 square foot building being renovated for future use. Construction is expected to last at least 18 months.

During FY16, NC voters approved a $2 billion Connect NC bond package. The College will receive approximately $9.5 million. The College's Board of Trustees has approved a renovation project for the Medlin Campus Center on the College's Jamestown Campus.

Machinery and Equipment rose $2.6 million. The major expenditures were for the College's nursing program at the new Union Square Campus for approximately $1.9 million. Remaining large expenditures were for campus safety, aviation, radiography, and information technology.

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, 2016, Guilford Technical Community College has future commitments for construction totaling $2.7 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 Net Position		FY 2016	FY 2015	Increase/<Decrease>	
				Amount	Percent
Operating Revenue					
Student Tuition and Fees, Net		$ 7,268,884	$ 6,305,910	$ 962,974	15.3%
Sales and Services, Net		5,683,318	6,852,800	(1,169,482)	-17.1%
Other Operating Revenues		98,504	98,842	(338)	-0.3%
Total Operating Revenue	*	13,050,706	13,257,552	(206,846)	-1.6%
Operating Expenses					
Salaries and Benefits		56,934,686	57,994,645	(1,059,959)	-1.8%
Supplies and Materials		14,682,306	17,082,297	(2,399,991)	-14.0%
Services		10,810,521	11,352,791	(542,270)	-4.8%
Scholarships and Fellowships		12,900,893	14,547,102	(1,646,209)	-11.3%
Utilities		1,983,796	1,964,591	19,205	1.0%
Depreciation		6,102,378	5,686,605	415,773	7.3%
Total Operating Expenses	**	103,414,580	108,628,031	(5,213,451)	-4.8%
Operating Loss		(90,363,874)	(95,370,479)	5,006,605	5.2%
Nonoperating Revenues (Expenses)					
State Aid	*	40,751,170	44,836,781	(4,085,611)	-9.1%
County Appropriations	*	14,350,000	13,297,690	1,052,310	7.9%
Noncapital Grants - Federal Student Financial Aid	*	29,965,872	34,076,590	(4,110,718)	-12.1%
Noncapital Grants, Gifts and Interest	*	4,212,497	4,109,604	102,893	2.5%
Other Nonoperating Expenses	**	(207,769)	(2,023,945)	1,816,176	89.7%
Net Nonoperating Revenue		89,071,770	94,296,720	(5,224,950)	-5.5%
Loss before other Revenues		(1,292,104)	(1,073,759)	(218,346)	-20.3%
State Capital Aid	*	5,727,821	2,288,367	3,439,454	150.3%
County Capital Aid	*	527,979	2,667,900	(2,139,921)	-80.2%
Capital Grants and Gifts	*	40,517	220,235	(179,718)	-81.6%
Increase in Net Position		5,004,213	4,102,743	901,470	22.0%
Net Position, Beginning of Year		252,864,635	262,090,968	(9,226,333)	-3.5%
Restatements		-	(13,329,076)	13,329,076	N/A
Net Position, End of Year		257,868,848	252,864,635	5,004,213	2.0%

*Total Revenues equal $108,626,562.
**Total Expenses equal $103,622,349.

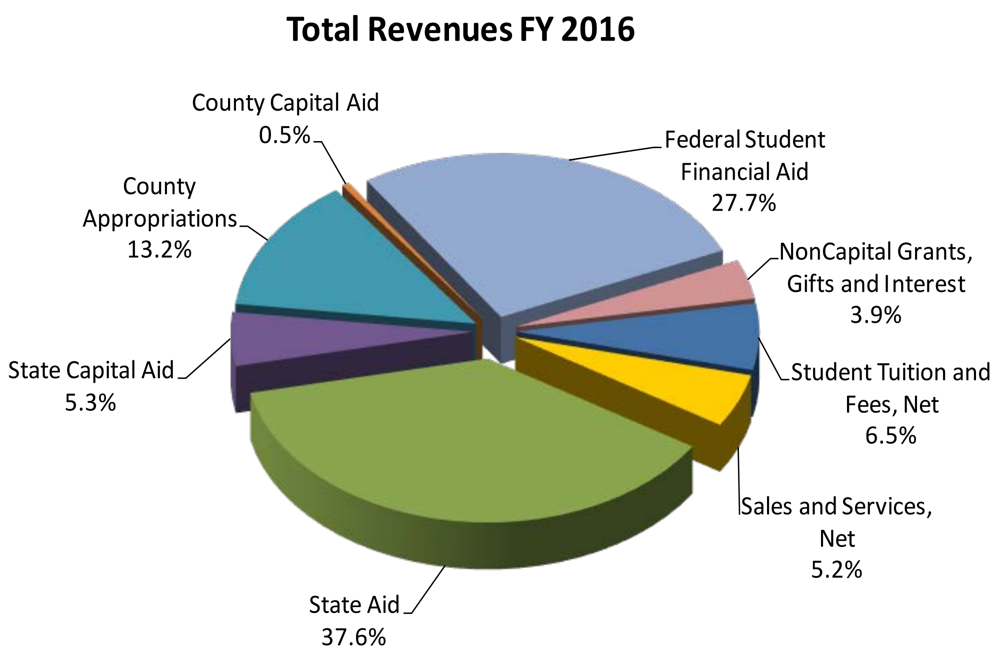
Revenues

Operating revenues were relatively flat with a slight decrease of approximately $0.2 million from FY15 to FY16. This decrease was due to an increase in student tuition and fees revenue of approximately $0.8 million offset by a decrease in sales and services, net revenue of $1.2 million. This decrease in sales and services revenue is related predominately to a decrease in bookstore sales. The selling price of books has decreased and there has been an increase in book rentals. Both items are causing a reduction in bookstore revenues.

Net nonoperating revenues decreased $5.2 million to $89.1 million in FY16. This was primarily due to a decrease in state appropriations of $4.1 million and a decrease in student financial aid of $4.1 million offset by an increase in county appropriations of $1.1 million. Additionally, other nonoperating expenses in FY15 reflected an impairment loss of $1.7 million that was non-recurring in FY16.

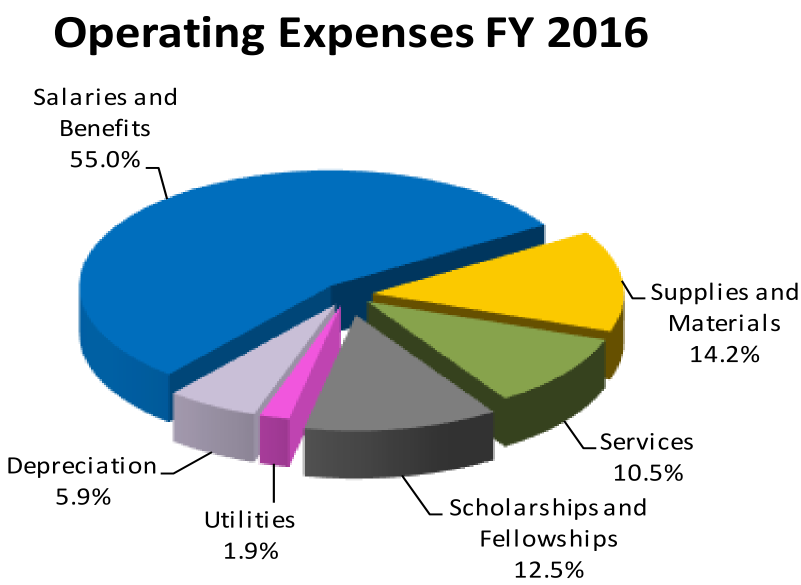
Total revenues for the College decreased $6.1 million. This is predominately attributed to net nonoperating revenue declines as discussed above. State aid, net of tuition receipts collected, decreased $4.1 million and constituted 37.6% of the College's total revenues for FY16, down from 39.2% last year.

The decrease in student financial aid reflects a decrease in enrollment of approximately 4% in FY16 from the prior year. There have also been changes in the federal eligibility requirements that resulted in fewer students qualifying for federal Pell grants.



Expenses

Operating expenses for FY16 decreased $5.2 million overall to $103.4 million. The decline was spread over all operating categories except for depreciation expense (non-cash expense). This decline reflects the College's management of expenses in the light of declining state budgets.



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

Expenses by Functional Area	FY 2016	FY 2015	Increase/(Decrease) Amount	Percent
Education and General				
Instruction	$ 36,979,792	$ 40,353,121	$ (3,373,329)	-8.4%
Academic Support	8,055,674	7,892,787	162,887	2.1%
Student Services	4,842,764	5,107,406	(264,642)	-5.2%
Institutional Support	14,749,974	14,831,011	(81,037)	-0.5%
Operations and Maintenance of Plant	12,029,466	10,976,437	1,053,029	9.6%
Student Financial Aid	12,900,893	14,547,102	(1,646,209)	-11.3%
Total Educational and General	89,558,563	93,707,864	(4,149,301)	-4.4%
Other Operating Expenses				
Auxiliary Enterprises	7,753,639	9,233,562	(1,479,923)	-16.0%
Depreciation/ Amortization	6,102,378	5,686,605	415,773	7.3%
Total Other Operating Expenses	13,856,017	14,920,167	(1,064,150)	-7.1%
Total Operating Expenses	$ 103,414,580	$ 108,628,031	$ (5,213,451)	-4.8%

- Instructional, Student Services, and Institutional Support all reflect decreases associated with reductions in salaries and benefits, supplies and materials and services costs. These reductions reflect tightened budget management.
- Academic Support increases are primarily related to increased emphasis on providing increased support to the students.

- 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 and operating costs for new facilities. Utilities expenses remained flat as energy savings initiatives are continued.
- 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 changes in the mix of offerings (e-books and book rentals) as well as decreased costs of books.
- Increases in Depreciation were caused by the first year depreciation expense for projects completed last year.

STATEMENT OF CASH FLOWS

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

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

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

Condensed Statement of Cash Flows	FY 2016	FY 2015	Increase/<Decrease>	
			Amount	Percent
Cash Flows from Operating Activities	$ (86,753,956)	$ (94,381,907)	$ 7,627,951	8.1%
Cash Flows from Noncapital Financing Activities	89,101,787	97,481,422	$ (8,379,635)	-8.6%
Csah Flows from Capital and Related Financing Activities	(496,972)	21,938	$ (518,910)	-2365.3%
Cash Flows from Investing Activities	200,639	103,977	$ 96,662	93.0%
Net increase (decrease) in cash and cash equivalents	2,051,498	3,225,430	$ (1,173,932)	-36.4%
Cash and cash equivalents, July 1	41,082,673	37,857,243	$ 3,225,430	8.5%
Cash and cash equivalents, June 30	$ 43,134,171	$ 41,082,673	$ 2,051,498	5.0%

FACTORS IMPACTING FUTURE PERIODS

Community colleges are at the forefront of discussions concerning education. Various organizations, including the federal government, are setting goals for the nation's community colleges with most targeting 2020. The focus of these goals is completion of credentials with market value. Nationally, most organizations are focusing on degree or certificate attainment. To support students in their pursuit of credentials, GTCC analyzed a number of studies that identify challenges to completion. Challenges include a lack of preparation for college level courses, uncertainty about the right program, unclear program requirements, poor advising, and often the daily issues of being a college student while struggling with a job, finances, childcare, transportation, etc.

GTCC is a leader in trying to remove these barriers by its participation in several national initiatives like Completion by Design. GTCC recently received several grants focused on removing barriers, including a $2.2 million federal Title III grant that complements ongoing initiatives. It promotes consistent learning support services by expanding existing programs and funding to hire intervention specialists to coach at risk students. Other ways GTCC is helping students be successful focuses on performance funding, co-requisite remediation, full-time attendance, structured schedules, guided pathways to success, and creating stackable credentials. All credit programs undergo regular reviews to validate their continuance, or identify the need for improvement or additional resources.

Following a national search, Guilford County was selected, and voters elected, to become the next *Say Yes to Education Community*. *Say Yes* provides last dollar tuition scholarships for graduates of Guilford County schools to attend NC colleges and universities. *Say Yes* focuses on community support and provides seed money for scholarships and student support. In the initial years of this program, GTCC expects to see decreased enrollment as some students can now afford to attend four year institutions. GTCC is working to attract students who might not have otherwise attended college at all.

At the state level, efforts continue to refine performance measures with consideration being given to moving toward 100% performance funding. Many of the new reporting measures track data that was not previously gathered and uncertainty surrounds the imposition of additional reporting requirements. As new measures are defined, or existing measures are modified, changes are needed at the college level. In the *2016 Performance Measures for Student Success* issued by the NC Community College System, GTCC's success in these measures is down. To address this, the College has been making major policy and procedural changes. An analysis of the measures using current data reflects improvement.

Although tuition remains low, approximately 70% of GTCC students rely on financial aid, predominately in the form of Pell Grants and Federal Direct Loans. The College is investing additional resources to manage the federal loan default rate to avoid any jeopardy to its overall federal aid programs. The College is one of only 44 institutions nationally and the only one in NC selected by the Department of Education to participate in an experiment allowing high school students taking college credit courses to obtain Pell Grants. Although the College offers tuition-free dual-enrollment via its Career and College Promise program, books, supplies and fees are not covered. This experiment will help supplement those costs and allow more high school students to have access to postsecondary educations.

In recent months, national and state race and cultural relations are influencing GTCC's campuses. Faculty and students report a struggle to communicate and be heard on these sensitive issues. In keeping with the institution's strategic goals, senior leaders are focusing time and resources to cultivate an environment and culture of inclusion that welcomes, develops, supports, and empowers employees and students. GTCC is striving for a climate where students and faculty feel safe to communicate openly and one where students are engaged and successful at completing their educational goals.

The 2015 NC General Assembly (NCGA) directed the State Education Assistance Authority to centralize the process used by universities and community colleges for determining residency for tuition purposes. A transition is underway to move from a campus-based residency determination to the new state centralized Residency Determination Service. GTCC is one of five pilot colleges that will begin using the new cloud-based system January 2017. It is unclear what impact this may have on enrollment.

As the College's enrollment continues to normalize, there are programs in which interest and/or demand outweighs College resources. These programs include Dental Assisting and Hygiene, Nursing, Aviation, Computer, and Welding programs. College transfer courses have become more popular as articulation agreements signed in FY15 now provide for transfer of general education courses to any four year NC college or university.

As of August 2016, the College is occupying space in Union Square Campus (USC), a partnership of business and higher educational institutions in Greensboro. The focus is on training and education for healthcare professions. GTCC has expanded part of its nursing program, one of its most popular and limited enrollment programs, to USC, thereby freeing up resources to be used by other programs at its current location.

The College must balance the demands of classroom instruction and related support functions with the requirement to provide acceptably safe and desirable facilities. The level of county support is critical to the mission of the College and impacts the ability to maintain and operate its facilities. During FY16, GTCC ranked 9th in support funding from its county when compared with the other community colleges in NC. That is the highest ranking since FY09 after falling to a low of 19th during FY12-FY14. GTCC's present county budget is adequate for routine maintenance and operations. It is not sufficient for significant improvements or enhancements.

At the same time, the NCGA has provided additional funding and flexibility to support recurring salary increases and bonuses for community college employees paid from state funds. The overall objective is to help recruit and retain a highly skilled workforce in order to remain competitive. GTCC is using this opportunity to implement a compensation study finalized in spring 2016. In an effort to treat all employees equitably, the College will need to request funds from the county to improve salaries for positions local government is mandated to support.

GTCC has two major capital projects underway. The Center for Applied Manufacturing, scheduled for use in spring 2018, will provide unique space customized to several space-constrained programs such as machining and welding. The 2016 Connect NC Bonds will fund the next priority project which is the first phase of renovations to the existing Medlin Campus Center. This project plans to relocate administration and fully dedicate this building to student services and to provide inviting spaces for students to gather.

Given so many opportunities, Guilford Technical Community College looks forward to the future. GTCC continues to build strong relationships with the various constituencies within Guilford County and aspires to positively impact its citizens.

Guilford Technical Community College
Statement of Net Position
June 30, 2016

Exhibit A-1

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	28,226,734
Restricted Cash and Cash Equivalents		6,087,417
Receivables, Net (Note 4)		2,278,185
Inventories		915,269
Prepaid Items		2,149,234
Notes Receivable, Net (Note 4)		250
Total Current Assets		39,657,089
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		8,820,020
Restricted Due from Primary Government		6,942,378
Capital Assets - Nondepreciable (Note 5)		25,296,318
Capital Assets - Depreciable, Net (Note 5)		190,847,021
Total Noncurrent Assets		231,905,737
Total Assets		271,562,826
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		3,322,583
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		1,597,382
Unearned Revenue		1,006,669
Funds Held for Others		389,534
Long-Term Liabilities - Current Portion (Note 7)		331,528
Total Current Liabilities		3,325,113
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		11,373,861
Total Liabilities		14,698,974
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		2,317,587
NET POSITION		
Investment in Capital Assets		216,143,339
Restricted for:		
Expendable:		
Scholarships and Fellowships		10,612
Capital Projects		15,411,399
Other		5,296,552
Unrestricted		21,006,946
Total Net Position	$	257,868,848

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, 2016

Exhibit A-2

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 9)	$	7,268,884
Sales and Services, Net (Note 9)		5,683,318
Other Operating Revenues		98,504
Total Operating Revenues		13,050,706
EXPENSES		
Operating Expenses:		
Salaries and Benefits		56,934,686
Supplies and Materials		14,682,306
Services		10,810,521
Scholarships and Fellowships		12,900,893
Utilities		1,983,796
Depreciation		6,102,378
Total Operating Expenses		103,414,580
Operating Loss		(90,363,874)
NONOPERATING REVENUES (EXPENSES)		
State Aid		40,751,170
County Appropriations		14,350,000
Noncapital Grants - Student Financial Aid		29,965,872
Noncapital Grants		3,863,154
Noncapital Gifts, Net		148,704
Investment Income		200,639
Other Nonoperating Expenses		(207,769)
Net Nonoperating Revenues		89,071,770
Loss Before Other Revenues		(1,292,104)
State Capital Aid		5,727,821
County Capital Aid		527,979
Capital Grants		33,017
Capital Gifts, Net		7,500
Increase in Net Position		5,004,213
NET POSITION		
Net Position, July 1, 2015		252,864,635
Net Position, June 30, 2016	$	257,868,848

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	13,173,806
Payments to Employees and Fringe Benefits		(59,425,023)
Payments to Vendors and Suppliers		(27,589,792)
Payments for Scholarships and Fellowships		(12,900,893)
Loans Issued to Students		(28,866)
Collection of Loans to Students		29,348
Other Payments		(12,536)
Net Cash Used by Operating Activities		(86,753,956)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		40,751,170
County Appropriations		14,350,000
Noncapital Grants - Student Financial Aid		29,942,936
Noncapital Grants		3,884,169
Noncapital Gifts and Endowments		171,009
William D. Ford Direct Lending Receipts		26,524,229
William D. Ford Direct Lending Disbursements		(26,521,726)
Net Cash Provided by Noncapital Financing Activities		89,101,787
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		3,061,028
County Capital Aid		2,263,793
Capital Grants		33,017
Acquisition and Construction of Capital Assets		(5,854,810)
Net Cash Used by Capital and Related Financing Activities		(496,972)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		200,639
Net Increase in Cash and Cash Equivalents		2,051,498
Cash and Cash Equivalents, July 1, 2015		41,082,673
Cash and Cash Equivalents, June 30, 2016	$	43,134,171

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, 2016

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(90,363,874)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		6,102,378
Pension Expense		919,230
Nonoperating Other Income		54,381
Changes in Assets, Liabilities, and Deferred Outflows of Resources:		
Receivables, Net		(18,989)
Inventories		7,941
Prepaid Items		(64,976)
Notes Receivable, Net		483
Accounts Payable and Accrued Liabilities		(26,705)
Unearned Revenue		140,572
Funds Held for Others		(65,400)
Deferred Outflows for Contributions Subsequent to the Measurement Date		(3,322,583)
Compensated Absences		(116,414)
Net Cash Used by Operating Activities	$	(86,753,956)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	28,226,734
Restricted Cash and Cash Equivalents		6,087,417
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		8,820,020
Total Cash and Cash Equivalents - June 30, 2016	$	43,134,171

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	$	673,956
Assets Acquired through a Gift		7,500
Increase in Receivables Related to Nonoperating Income		2,666,793
Loss on Disposal of Capital Assets		(262,150)

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, 2016 *Exhibit B-1*

ASSETS		
Current Assets		
Cash and cash equivalents	$	89,356
Accounts receivable		29,875
Promises to give due within one year		279,578
Investments - available for sale		10,385,773
Prepaid expenses		4,953
Inventory		10,965
Total Current Assets		10,800,500
Other Assets		
Promises to give due after one year, less discounts of $248,834		454,861
Investments-partnership interests		612,531
Land		1,165,726
Beneficial interest in charitable remainder trust		94,070
Total Other Assets		2,327,188
Total Assets	$	13,127,688
LIABILITIES		
Current Liabilities		
Accounts payable	$	3,406
Deferred revenue		3,778
Total Current Liabilities		7,184
NET ASSETS		
Unrestricted		
Undesignated		3,713,048
Board designated		1,558,215
Foundation properties		1,156,290
Total Unrestricted Net Assets		6,427,553
Temporarily restricted		3,309,255
Permanently restricted		3,383,696
Total Net Assets		13,120,504
Total Liabilities and Net Assets	$	13,127,688

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 Fiscal Year Ended June 30, 2016

Exhibit B-2

	Unrestricted	Temporarily Restricted	Permanently Restricted	Foundation Properties	Total
SUPPORT AND REVENUE					
Contributions, net of discounts	$ 154,758	$ 177,051	$ 80,431	$ -	$ 412,240
Change in beneficial interest in charitable remainder trust	-	-	(21,379)	-	(21,379)
Grants	-	58,000	-	-	58,000
Investment income	363,596	(42,884)	(90)	-	320,622
Miscellaneous income	-	5,297	-	-	5,297
Administrative services contributed by college	221,183	-	-	-	221,183
Contributed materials and equipment	62,931	113,541	-	-	176,472
Net asset releases/reclassifications:					
Net assets released from restrictions	483,577	(483,577)	-	-	-
Total Support and Revenue	1,286,045	(172,572)	58,962	-	1,172,435
OPERATING EXPENSES					
Program support	254,451	-	-	-	254,451
Student aid	243,074	-	-	-	243,074
Grants and projects	7,378	-	-	-	7,378
Materials and equipment contributed to the college	180,250	-	-	-	180,250
Administration	282,759	-	-	8,196	290,955
Total Operating Expenses	967,912	-	-	8,196	976,108
Excess (Deficit) of revenues over expenses	318,133	(172,572)	58,962	(8,196)	196,327
Net transfers among funds	(73,406)	73,406	-	-	-
Increase/(Decrease) in Net Assets	244,727	(99,166)	58,962	(8,196)	196,327
Net Assets at Beginning of the Year	5,026,536	3,408,421	3,324,734	1,164,486	12,924,177
Net Assets at End of the Year	$ 5,271,263	$ 3,309,255	$ 3,383,696	$ 1,156,290	$ 13,120,504

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

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based primarily on unobservable inputs and require that management make assumptions to value the assets.

Fair value for the Beneficial Interest in Remainder Trust (Level 3) is determined by estimating the present values of the future distributions expected to be received. Inputs include the June 30, 2016 value of the investments in the trust, data from published life expectancy tables and the discount rate of 1.70% at June 30, 2016.

Fair values of assets measured on a recurring basis at June 30, 2016 were as follows:

	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalent	$ 317,074	$ 317,074	$ -	$ -
Fixed income funds	4,960,244	4,960,244	-	-
Equity funds	4,817,085	4,817,085	-	-
Bond funds	291,370	291,370	-	-
Interests in Partnerships	612,531	-	-	612,531
Beneficial interest in CRT	94,070	-	-	94,070
	$ 11,092,374	$ 10,385,773	$ -	$ 706,601

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 1,534,986	$ 553,426	$ 981,560
Student Sponsors	86,977	-	86,977
Accounts	361,375	-	361,375
Intergovernmental	696,891	-	696,891
Other	151,804	422	151,382
Total Current Receivables	$ 2,832,033	$ 553,848	$ 2,278,185
Notes Receivable:			
Institutional Student Loan Programs	$ 250	$ -	$ 250
Total Notes Receivable - Current	$ 250	$ -	$ 250

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2016, is presented as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital Assets, Nondepreciable:				
Land and Permanent Easements	$ 21,836,705	$ 11,336	$ -	$ 21,848,041
Construction in Progress	4,225,745	634,950	1,412,418	3,448,277
Total Capital Assets, Nondepreciable	26,062,450	646,286	1,412,418	25,296,318
Capital Assets, Depreciable:				
Buildings	192,083,494	1,406,959	-	193,490,453
Machinery and Equipment	34,455,075	3,485,670	880,427	37,060,318
General Infrastructure	16,962,658	-	-	16,962,658
Total Capital Assets, Depreciable	243,501,227	4,892,629	880,427	247,513,429
Less Accumulated Depreciation for:				
Buildings	37,191,277	3,886,934	-	41,078,211
Machinery and Equipment	10,679,061	1,891,874	618,276	11,952,659
General Infrastructure	3,311,968	323,570	-	3,635,538
Total Accumulated Depreciation	51,182,306	6,102,378	618,276	56,666,408
Total Capital Assets, Depreciable, Net	192,318,921	(1,209,749)	262,151	190,847,021
Capital Assets, Net	$ 218,381,371	$ (563,463)	$ 1,674,569	$ 216,143,339

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2016, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 284,873
Accrued Payroll	778,783
Contract Retainage	463,513
Other	70,213
Total Current Accounts Payable and Accrued Liabilities	$ 1,597,382

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2016, is presented as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Net Pension Liability	$ 3,158,033	$ 6,675,549	$ -	$ 9,833,582	$ -
Compensated Absences	1,988,220	1,689,208	1,805,621	1,871,807	331,528
Total Long-Term Liabilities	$ 5,146,253	$ 8,364,757	$ 1,805,621	$ 11,705,389	$ 331,528

Additional information regarding the net pension liability is included in Note 11.

NOTE 8 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for property and equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2016:

Fiscal Year	Amount
2017	$ 666,204
2018	626,639
2019	393,165
2020	190,024
2021	190,128
2022-2026	952,311
2027-2031	217,916
2032-2036	187,686
2037-2041	$ 30,367
Total Minimum Lease Payments	$ 3,454,440

Rental expense for all operating leases during the year was $525,361.

NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees, Net	$ 21,595,785	$ -	$ 14,413,347	$ (86,446)	$ 7,268,884
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Dining	$ 345,877	$ -	$ -	$ -	$ 345,877
Bookstore	7,602,070	-	2,851,496	(5,974)	4,756,548
Other	778,031	479,579	-	(4,781)	303,233
Sales and Services of Education and Related Activities	277,660	-	-	-	277,660
Total Sales and Services, Net	$ 9,003,638	$ 479,579	$ 2,851,496	$ (10,755)	$ 5,683,318

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation/ Amortization	Total
Instruction	$ 32,060,624	$ 2,859,802	$ 2,059,366	$ -	$ -	$ -	$ 36,979,792
Academic Support	6,883,362	292,045	880,267	-	-	-	8,055,674
Student Services	4,202,231	311,427	329,106	-	-	-	4,842,764
Institutional Support	7,798,711	3,762,772	3,188,491	-	-	-	14,749,974
Operations and Maintenance of Plant	4,810,110	1,138,175	4,097,385	-	1,983,796	-	12,029,466
Student Financial Aid	-	-	-	12,900,893	-	-	12,900,893
Auxiliary Enterprises	1,179,648	6,318,085	255,906	-	-	-	7,753,639
Depreciation/ Amortization	-	-	-	-	-	6,102,378	6,102,378
Total Operating Expenses	$ 56,934,686	$ 14,682,306	$ 10,810,521	$ 12,900,893	$ 1,983,796	$ 6,102,378	$ 103,414,580

NOTE 11 - PENSION PLANS

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 pension 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, 2016 was 9.15% of covered payroll. The College's contributions to the pension plan were $3,321,597, and employee contributions were $2,178,098 for the year ended June 30, 2016.

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 2015 *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 2015 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2016, the College reported a liability of $9,833,582 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, and update procedures were used to roll forward the total pension liability to June 30, 2015. 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, 2015, the College's proportion was .26684%, which was a decrease of .00252% from its proportion measured as of June 30, 2014.

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	12/31/2014
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, 2014 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, 2015 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.2%
Global Equity	5.8%
Real Estate	5.2%
Alternatives	9.8%
Credit	6.8%
Inflation Protection	3.4%

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 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%)
$ 29,596,369	$ 9,833,582	$ (6,937,421)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2016, the College recognized pension expense of $915,486. At June 30, 2016, 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	$	$ 1,118,078
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		1,065,385
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions		134,124
Contributions Subsequent to the Measurement Date	3,322,583	
Total	$ 3,322,583	$ 2,317,587

The amount of $3,322,583 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, 2017. 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
2017	$ (1,323,093)
2018	(1,323,093)
2019	(1,277,556)
2020	1,606,155
2021	-
Total	$ (2,317,587)

NOTE 12 - 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 5.60% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2015, and 2014, were 5.49% and 5.40%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2016, 2015, and 2014, which were $2,032,890, $2,054,721, and $2,031,423, 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, 2016, 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, 2015, and 2014, were .41% and .44%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2016, 2015, and 2014, which were $148,837, $153,449, and $165,523, 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 13 - 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 $100,000 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.

5. Other Insurance Held by the College

The College purchases Cyber Liability coverage from a private insurance company. In the event of a cyber-attack, the policy covers expenses up to $3,000,000 limit with a $50,000 deductible, including event management, cyber extortion, and reputation guard.

NOTE 14 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were $2,687,770 at June 30, 2016.

NOTE 15 - 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 an Independent Auditor's Report. This report is provided to the College and to GHG Board members by the independent auditor.

NOTE 16 - BLENDED COMPONENT UNIT

Condensed combining information for the College's blended component unit for the year ended June 30, 2016, is presented as follows:

Condensed Statement of Net Position
June 30, 2016

	College	GIRC	Eliminations	Total
ASSETS				
Current Assets	$ 39,305,036	$ 352,053	$ -	$ 39,657,089
Capital Assets	216,143,339	-	-	216,143,339
Other Noncurrent Assets	15,762,398	-	-	15,762,398
Total Assets	271,210,773	352,053	-	271,562,826
Total Deferred Outflows of Resources	3,322,583	-	-	3,322,583
LIABILITIES				
Current Liabilities	3,278,176	46,937	-	3,325,113
Long-Term Liabilities	11,373,861	-	-	11,373,861
Other Noncurrent Liabilities	-	-	-	-
Total Liabilities	14,652,037	46,937	-	14,698,974
Total Deferred Inflows of Resources	2,317,587	-	-	2,317,587
NET POSITION				
Net Investment in Capital Assets	216,143,339	-	-	216,143,339
Restricted - Expendable	20,718,563	-	-	20,718,563
Unrestricted	20,701,830	305,116	-	21,006,946
Total Net Position	$ 257,563,732	$ 305,116	$ -	$ 257,868,848

Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2016

	College	GIRC	Eliminations	Total
OPERATING REVENUES				
Student Tuition and Fees, Net	$ 7,268,884	$ -	$ -	$ 7,268,884
Sales and Services, Net	5,412,883	270,538	(103)	5,683,318
Other Operating Revenues	98,504	-	-	98,504
Total Operating Revenues	12,780,271	270,538	(103)	13,050,706
OPERATING EXPENSES				
Operating Expenses	97,041,009	271,193	-	97,312,202
Depreciation	6,102,378	-	-	6,102,378
Total Operating Expenses	103,143,387	271,193	-	103,414,580
Operating Loss	(90,363,116)	(655)	(103)	(90,363,874)
NONOPERATING REVENUES (EXPENSES)				
State Aid	40,751,170	-	-	40,751,170
County Appropriations	14,350,000	-	-	14,350,000
Noncapital Grants - Student Financial Aid	29,965,872	-	-	29,965,872
Noncapital Grants	3,863,154	-	-	3,863,154
Noncapital Gifts, Net	148,704	-	-	148,704
Investment Income	200,639	-	-	200,639
Other Nonoperating Expenses	(207,769)	-	-	(207,769)
State Capital Aid	5,727,821	-	-	5,727,821
County Capital Aid	527,979	-	-	527,979
Capital Grants	33,017	-	-	33,017
Capital Gifts, Net	7,500	-	-	7,500
Net Nonoperating Revenues (Expenses)	95,368,087	-	-	95,368,087
Increase (Decrease) in Net Position	5,004,971	(655)	(103)	5,004,213
NET POSITION				
Net Position, July 1, 2015	252,558,864	305,771	-	252,864,635
Net Position, June 30, 2016	$ 257,563,835	$ 305,116	$ (103)	$ 257,868,848

Condensed Statement of Cash Flows June 30, 2016

	College	GIRC	Total
Net Cash Provided (Used) by Operating Activities	$ (86,810,836)	$ 56,880	$ (86,753,956)
Net Cash Provided by Noncapital Financing Activities	89,101,787	-	89,101,787
Net Cash Used by Capital and Related Financing Activities	(496,972)	-	(496,972)
Net Cash Provided by Investing Activities	200,639	-	200,639
Net Increase in Cash and Cash Equivalents	1,994,618	56,880	2,051,498
Cash and Cash Equivalents, July 1, 2015	40,831,525	251,148	41,082,673
Cash and Cash Equivalents, June 30, 2016	$ 42,826,143	$ 308,028	$ 43,134,171

NOTE 17 - SUBSEQUENT EVENTS

The College has evaluated subsequent events through November 22, 2016, which is the date the financial statements were available to be issued. The following event has been identified:

During September 2016, the College awarded the bid to the general contractor for its newest renovation project, the Center for Advanced Manufacturing. The commitment is in the amount of $21,642,600.

NOTE 18 - AUDIT HOURS AND COST

The audit required 390 audit hours at an approximate cost of $30,000. The cost represents 0.01% of the College's total assets and 0.03% of total expenses subject to audit.

Guilford Technical Community College
Required Supplementary Information
Schedule of the Proportionate Net Pension Liability
Teachers' and State Employees' Retirement System
Last Three Fiscal Years

Exhibit C-1

	2015	2014	2013
(1) Proportionate Share Percentage of Collective Net Pension Liability	0.26684%	0.26936%	0.27340%
(2) Proportionate Share of TSERS Collective Net Pension Liability	$ 9,833,582	$ 3,158,033	$ 16,598,166
(3) Covered-Employee Payroll	$ 36,312,380	$ 37,618,950	$ 38,815,203
(4) Net Pension Liability as a Percentage of Covered-Employee Payroll	27.08%	8.39%	42.76%
(5) Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	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

		2016	2015	2014	2013	2012
(1)	Contractually Required Contribution	$ 3,321,597	$ 3,424,535	$ 3,269,087	$ 3,233,306	$ 2,809,147
(2)	Contributions in Relation to the Contractually Determined Contribution	3,321,597	3,424,535	3,269,087	3,233,306	2,809,147
(3)	Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
(4)	Covered-Employee Payroll	$ 36,301,610	$ 37,426,607	$ 37,618,950	$ 38,815,203	$ 37,757,353
(5)	Contributions as a Percentage of Covered-Employee Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

		2011	2010	2009	2008	2007
(1)	Contractually Required Contribution	$ 1,803,035	$ 1,235,661	$ 1,144,413	$ 957,696	$ 762,036
(2)	Contributions in Relation to the Contractually Determined Contribution	1,803,035	1,235,661	1,144,413	957,696	762,036
(3)	Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
(4)	Covered-Employee Payroll	$ 36,572,723	$ 34,612,341	$ 34,059,921	$ 31,399,865	$ 28,647,965
(5)	Contributions as a Percentage of Covered-Employee Payroll	4.93%	3.57%	3.36%	3.05%	2.66%

Guilford Technical Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System

Changes of Benefit Terms:

Cost of Living Increase

2015	2014	2013	2012	2011	2010	2009	2008	2007
1.00%	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%

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 AUDITORS' 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

Members of the 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, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 22, 2016. The financial statements of Guilford Technical Community College Foundation, Inc. and GTCC Innovative Resources Corporation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with those entities.

Internal Control Over Financial Reporting

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

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

Certified Public Accountants

Greensboro, NC 336.286.3204
Matthews, NC 704.841.1120
Mount Airy, NC 336.789.8989

www.LBAHS.com

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.

LBA Haynes Strand, PLLC

Matthews, North Carolina
November 22, 2016