



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT REVIEW REPORT OF

RANDOLPH COMMUNITY COLLEGE

ASHEBORO, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT REVIEW REPORT OF

RANDOLPH COMMUNITY COLLEGE

ASHEBORO, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

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THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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Ralph Campbell, Jr.
State Auditor

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REVIEWER'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Trustees, Randolph Community College

This report presents the results of our financial statement review of Randolph Community College, a component unit of the State of North Carolina, for the year ended June 30, 2002. Our review was made by authority of Article 5A of Chapter 147 of the General Statutes.

The accounts and operations of the College are an integral part of the State's reporting entity represented in the State's *Comprehensive Annual Financial Report (CAFR)* and the State's *Single Audit Report*. In those reports, the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report*, the State Auditor also presents the audit results on the State's internal controls and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs.

As part of the work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to review procedures as we considered necessary. In addition, we performed review procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Randolph Community College. The review procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is to present the results of our review of the accompanying financial statements that relate solely to Randolph Community College. Our reporting objectives and review results are:

- 1. Objective** - To disclose any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Results - We are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. These matters are more fully described in the Independent Accountant's Review Report on the financial statements.

REVIEWER'S TRANSMITTAL (CONCLUDED)

2. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the College's ability to record, process, summarize, and report financial data in the financial statements and present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

Results - Our review disclosed no material weaknesses in internal control over financial reporting and no instances of noncompliance which require disclosure herein under *Government Auditing Standards*.

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



Ralph Campbell, Jr.
State Auditor

TABLE OF CONTENTS

	PAGE
INDEPENDENT ACCOUNTANT’S REVIEW REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
Exhibits	
A Statement of Net Assets	5
B Statement of Revenues, Expenses, and Changes in Net Assets	6
C Statement of Cash Flows	7
Notes to the Financial Statements	9
SUPPLEMENTARY INFORMATION	
Schedule	
1 Schedule of General Obligation Bond Project Authorizations, Budgets, and Expenditures	24
DISTRIBUTION OF REVIEW REPORT	25



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Randolph Community College
Asheboro, North Carolina

We have reviewed the accompanying Statement of Net Assets of Randolph Community College, a component unit of the State of North Carolina, as of June 30, 2002, and the related Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Cash Flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the College's management.

A review consists principally of inquiries of College personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

The Management's Discussion and Analysis (MD&A) on pages 3 to 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Our review was conducted for the purpose of expressing limited assurance that there are no material modifications that should be made to the basic financial statements in order for them to be in conformity with generally accepted accounting principles. Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

A handwritten signature in cursive script that reads "Ralph Campbell, Jr.".

Ralph Campbell, Jr.
State Auditor

June 11, 2003

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Randolph Community College provides this Management's Discussion and Analysis for readers of the College's financial statements. This narrative overview and analysis of the financial activities of Randolph Community College is for the fiscal year ended June 30, 2002. We encourage readers to consider this information in conjunction with the additional information that is furnished in the College's financial statements.

Overview of the Financial Statements

The College's financial statements include three components: 1) Statement of Net Assets; 2) Statement of Revenues, Expenses, and Charges in Net Assets; and 3) Statement of Cash Flows.

The Statement of Net Assets replaces the Balance Sheet presented in prior years. The term "net assets" replaces "fund balance" and only three classes of net assets are allowed: unrestricted, restricted, and invested in capital assets. Capital assets are reflected net of accumulated depreciation for the first time.

The Statement of Revenues, Expenses, and Charges in Net Assets replaces the Statement of Charges in Fund Equity and the Statement of Current Funds Revenues, Expenditures, and Other Charges. Again, depreciation is now reflected as an operating expense in the new format.

The Statement of Cash Flows using the direct method is a new Statement mandated by GASB Statement No. 34. This Statement measures cash flow from operating activities, noncapital financing activities, capital financing activities, and investing activities.

Comparative Data

GASB Statement No. 34 required changes in accounting and reporting for community colleges, including reporting depreciation of capital assets. In past years, capital assets were carried at historical cost and depreciation was not reflected.

These changes created significant variances in the June 30, 2002, financial statements when compared to the prior year. Total Net Assets decreased \$4,146,644.77. The decrease in capital assets was \$4,099,984.33 the change results primarily from recording accumulated depreciation and removal of library books from the capital asset classification and the addition of the Emergency Training Facility.

Analysis of Financial Position

For the year ended June 30, 2002, the College had a net increase in cash and cash equivalents of \$270,953.73, representing just a 10.59% increase in cash and cash equivalents when compared to the July 1, 2001 balance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Net Assets at June 30, 2002 decreased by \$4,146,644.77, a 20% change from Net Assets – Restated as of June 30, 2001, which included accumulated depreciation of \$5,856,498.81. Revenues increased \$2,445,991.27 with the largest change an increase in Capital Gifts \$2,746,164 includes Emergency Training Center Building. State Aid Capital revenue decreased by \$443,377.83 or 11432%. County Appropriations increase of 3,441.77 or 1.5%. Expenditures increased \$312,938.07 with the largest change in Student Financial Aid of \$251,084.52 or 19.56 % and Operation and Maintenance of Plant of \$237,538.02 or 15.68%. Depreciation was not reflected in 2001 expenses, however accumulated depreciation was recorded with compliance to GASB Statement No. 34.

Management concludes that financial position has remained constant during the past fiscal year.

Capital Asset Activity

Randolph Community College's capital assets as of June 30, 2001 were \$17,858,064.51, with net accumulated depreciation of \$5,856,498.81. The College eliminated library books from the Capital Assets classification, \$1,043,323.72, and additions, adjustments and decreases amounted to \$2,799,838.20. These items account for the change in a net book value from June 20, 2001 to June 30, 2002.

Economic Factors and Next Year's Budget

The State of North Carolina has experienced a revenue shortfall during the past two years and this may have a significant impact on future budgets.

As a result of actions taken by the North Carolina General Assembly, tuition for curriculum students in 2002-2003 academic year, increased to \$34.25 a credit hour with a maximum of \$548.00 for 16 or more hours. This represents a 10.5% increase in the direct cost to students attending the College.

Randolph Community College		
Statement of Net Assets		
June 30, 2002		Exhibit A
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	1,148,815.13
Restricted Cash and Cash Equivalents		124,205.24
Receivables, Net (Note 3)		105,994.82
Due from Primary Government		1,558.24
Inventories		395,335.99
Total Current Assets		1,775,909.42
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		1,284,358.89
Capital Assets, Net (Note 4)		13,758,080.18
Total Noncurrent Assets		15,042,439.07
Total Assets		16,818,348.49
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		169,787.08
Due to State of North Carolina Component Units		142.43
Funds Held for Others		16,648.80
Long-Term Liabilities - Current Portion (Note 6)		31,185.52
Total Current Liabilities		217,763.83
Noncurrent Liabilities:		
Long-Term Liabilities (Note 6)		354,007.04
Total Noncurrent Liabilities		354,007.04
Total Liabilities		571,770.87
NET ASSETS		
Invested in Capital Assets		13,758,080.18
Restricted For:		
Expendable:		
Scholarships and Fellowships		6,200.17
Loans		1,298.96
Capital Projects		1,262,483.90
Other		104,264.91
Unrestricted		1,114,249.50
Total Net Assets	\$	16,246,577.62
The accompanying notes to the financial statements are an integral part of this statement.		
See Independent Accountant's Review Report		

Randolph Community College
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2002

Exhibit B

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 8)	\$ 1,327,200.35
Federal Grants and Contracts	1,642,100.41
Sales and Services, Net (Note 8)	1,034,165.60
Total Operating Revenues	4,003,466.36

EXPENSES

Operating Expenses:

Personal Services	9,475,218.89
Supplies and Materials	1,576,901.83
Services	961,793.19
Scholarships and Fellowships	1,282,029.73
Utilities	390,867.16
Depreciation	556,433.92
Total Operating Expenses	14,243,244.72
Operating Loss	(10,239,778.36)

NONOPERATING REVENUES

State Aid	7,376,124.58
County Appropriations	1,613,201.00
Noncapital Grants	1,325.44
Noncapital Gifts	322,918.76
Investment Income, Net	65,593.76
Other Nonoperating Revenues	223,003.51
Net Nonoperating Revenues	9,602,167.05
Loss Before Other Revenues, Expenses, Gains, and Losses	(637,611.31)
State Capital Aid	387,840.26
County Capital Appropriations	230,000.00
Capital Grants	265,549.31
Capital Gifts	2,750,014.00
Increase in Net Assets	2,995,792.26

NET ASSETS

Net Assets, July 1, 2001 as Restated (Note 16)	13,250,785.36
Net Assets, June 30, 2002	\$ 16,246,577.62

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

See Independent Accountant's Review Report

Randolph Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2002

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$	3,966,696.55
Payments to Employees and Fringe Benefits		(9,431,629.66)
Payments to Vendors and Suppliers		(2,932,145.51)
Payments for Scholarships and Fellowships		(1,298,641.36)
Other Receipts		228,596.34
Net Cash Used by Operating Activities		(9,467,123.64)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received		7,376,124.58
County Appropriations		1,613,201.00
Noncapital Grants Received		1,325.44
Noncapital Gifts and Endowments Received		322,918.76
Net Cash Provided by Noncapital Financing Activities		9,313,569.78

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received		387,840.26
County Capital Appropriations		230,000.00
Capital Grants Received		347,331.69
Acquisition and Construction of Capital Assets		(606,258.12)
Net Cash Provided by Capital and Related Financing Activities		358,913.83

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments		65,593.76
Net Cash Provided by Investing Activities		65,593.76

Net Increase in Cash and Cash Equivalents		270,953.73
Cash and Cash Equivalents, July 1, 2001		2,286,425.53
Cash and Cash Equivalents, June 30, 2002	\$	2,557,379.26

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$	(10,239,778.36)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		556,433.92
Miscellaneous Nonoperating Income		223,003.51
Changes in Assets and Liabilities:		
Receivables, Net		(53,581.12)
Inventories		(12,732.59)
Accounts Payable and Accrued Liabilities		40,380.73
Due to Primary Government		142.43
Funds Held for Others		5,792.51
Compensated Absences		13,215.33
Net Cash Used by Operating Activities	\$	(9,467,123.64)

<i>Randolph Community College</i>		
<i>Statement of Cash Flows</i>		<i>Exhibit C</i>
<i>For the Fiscal Year Ended June 30, 2002</i>		<i>Page 2</i>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Assets Acquired Through a Gift	\$	2,750,014.00
The accompanying notes to the financial statements are an integral part of this statement.		
See Independent Accountant's Review Report		

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Randolph 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 for which the College's Board of Trustees is financially accountable. Related foundations and similar non-profit corporations for which the College is not financially accountable are not part of the accompanying financial statements. These entities are not included because they are separately incorporated and there are neither common directors nor other evidence of common control.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* effective for the College's year ended June 30, 2002, the full scope of the College's activities is considered to be a single business-type activity (BTA) and accordingly, is reported within a single column in the basic financial statements.

- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Net Assets and the Statement of Cash Flows and includes undeposited receipts, petty cash, cash on deposit with private bank accounts, savings accounts, and short-term investments with the State Treasurer’s Cash and Investment Pool (a governmental external investment pool). The short-term investment portfolio maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Receivables** – Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises’ sales and services. Receivables are recorded at book value with no provision for doubtful accounts necessary.
- F. Inventories** – Inventories, consisting of expendable supplies and merchandise for resale, are stated at the last invoice cost method.
- G. Capital Assets** – Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are expensed.

Depreciation is computed using the straight-line and/or units of output method over the estimated useful lives of the assets, generally 15 to 75 years for general infrastructure, 10 to 50 years for buildings, and 3 to 15 years for equipment.

The College does not capitalize the Library and Audio Visual collections. These collections adhere to the College’s policy to maintain for public exhibition, education or research; protect, keep unencumbered, care for, and preserve; and requires proceeds from their sale to be used to acquire other collection items. Accounting principles generally accepted in the United States of America permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- H. Restricted Assets** – Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.
- I. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities consist of compensated absences that will not be paid within the next fiscal year.
- J. Compensated Absences** - The College’s policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous June 30th plus the leave earned, less the leave taken between July 1st and June 30th, with a maximum number of hours being 240.

When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out method.

- K. Net Assets** – The College’s net assets are classified as follows:

Invested in Capital Assets – This represents the College’s total investment in capital assets.

Restricted Net Assets – Nonexpendable – Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Assets – Expendable – Expendable restricted net assets include resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Assets – Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

funding is transactional based within the departmental management system in place at the College.

- L. Scholarship Discounts** – Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that 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 presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges, and such programs are necessary and essential to the mission of the College. Revenues from nonexchange transactions and State appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either capital or noncapital financing or investing activities. Operating expenses are all expense transactions incurred other than those related to capital or noncapital financing or investing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.
- 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 and Copy Centers. The expense is charged to the user department.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 vehicles purchases, and maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS

All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with General Statute 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina or with the State Treasurer’s Cash and Investment Pool. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$2,680.00. The carrying amount of cash on deposit was \$2,554,699.26 and the bank balance was \$2,623,782.72

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

Cash on deposit at year end consisted of the following:

	Book Balance	Bank Balance
	<u> </u>	<u> </u>
Cash on Deposit with State Treasurer	\$ 143,508.23	\$ 143,508.23
Cash on Deposit with Private Financial Institutions	<u>2,411,191.03</u>	<u>2,480,274.49</u>
	<u>\$ 2,554,699.26</u>	<u>\$ 2,623,782.72</u>

The cash on deposit with the State Treasurer is pooled with State agencies and similar institutions in short-term investments with the State Treasurer’s Cash and Investment Pool. These moneys are invested in accordance with General Statutes 147-69.1(c) and 147-69.2, and as required by law are “readily convertible into cash.” All investments of the fund are held either by the Department of State Treasurer or agent in the State’s name. The fund’s

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

uninvested cash is either covered by federal depository insurance or, pursuant to 20 NCAC 7, is collateralized under either the dedicated or pooling method.

The financial statements and disclosures for the State Treasurer's Cash and Investment Pool are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Of the cash on deposit with private financial institutions at June 30, 2002, \$200,000 of the bank balance was covered by federal depository insurance, and \$2,280,274.49 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

NOTE 3 - RECEIVABLES

Receivables at June 30, 2002 were as follows:

	Amount
Current Receivables:	
Students	\$ 66,263.47
Accounts	39,731.35
Total Current Receivables	\$ 105,994.82

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets is presented as follows:

	Balance July 1, 2001	Adjustments	Increases	Decreases	Balance June 30, 2002
Capital Assets, Non-Depreciable:					
Land	\$ 345,962.78	\$ 0.00	\$ 0.00	\$ 0.00	\$ 345,962.78
Construction in Progress	66,735.84	(63,535.84)	22,500.00		25,700.00
Total Capital Assets, Non-Depreciable	412,698.62	(63,535.84)	22,500.00		371,662.78
Capital Assets, Depreciable:					
Buildings	13,776,748.13	63,535.84	3,054,307.57		16,894,591.54
Machinery and Equipment	1,940,565.35		276,134.77	205,022.91	2,011,677.21
General Infrastructure	684,728.69		3,329.78		688,058.47
Total Capital Assets, Depreciable	16,402,042.17	63,535.84	3,333,772.12	205,022.91	19,594,327.22
Less Accumulated Depreciation:					
Buildings	4,468,326.90		384,027.51		4,852,354.41
Machinery and Equipment	1,098,938.99		136,062.64	205,022.91	1,029,978.72
General Infrastructure	289,232.92		36,343.77		325,576.69
Total Accumulated Depreciation	5,856,498.81		556,433.92	205,022.91	6,207,909.82
Total Capital Assets, Depreciable, Net	10,545,543.36	63,535.84	2,777,338.20		13,386,417.40
Capital Assets, Net	\$ 10,958,241.98	\$ 0.00	\$ 2,799,838.20	\$ 0.00	\$ 13,758,080.18

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2002 were as follows:

	Amount
Accounts Payable	\$ 41,282.08
Accrued Payroll	128,505.00
Total Accounts Payable and Accrued Liabilities	\$ 169,787.08

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Current Portion
Compensated Absences	\$ 371,977.23	\$ 320,257.40	\$ 307,042.07	\$ 385,192.56	\$ 31,185.52

NOTE 7 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2002:

Fiscal Year	Amount
2003	\$ 9,294.06
2004	6,392.36
2005	49.44
Total Minimum Lease Payments	\$ 15,735.86

Rental expense for all operating leases during the year was \$13,334.17.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Net Revenues
Operating Revenues:			
Student Tuition and Fees	\$ 1,641,202.51	\$ 314,002.16	\$ 1,327,200.35
Sales and Services:			
Sales and Services of Auxiliary Enterprises:			
Dining	\$ 177,382.82	\$ 0.00	\$ 177,382.82
Bookstore	867,604.35	211,789.52	655,814.83
Activity Fees	34,788.36	9,449.36	25,339.00
Other	60,252.45		60,252.45
Sales and Services of Educational and Related Activities	115,376.50		115,376.50
Total Sales and Services	\$ 1,255,404.48	\$ 221,238.88	\$ 1,034,165.60

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 5,680,586.44	\$ 388,759.08	\$ 304,753.61	\$ 0.00	\$ 0.00	\$ 0.00	\$ 6,374,099.13
Public Service	160,234.32		18,452.83		3,326.81		182,013.96
Academic Support	863,040.30	16,564.20	30,067.67				909,672.17
Student Services	617,933.58	15,259.89	7,474.52				640,667.99
Institutional Support	1,325,418.67	129,108.31	266,527.99				1,721,054.97
Operations and Maintenance of Plant	577,688.09	267,022.01	283,425.56		386,517.74		1,514,653.40
Student Financial Aid			1,581.42	1,282,029.73			1,283,611.15
Auxiliary Enterprises	250,317.49	760,188.34	49,509.59		1,022.61		1,061,038.03
Depreciation						556,433.92	556,433.92
Total Operating Expenses	\$ 9,475,218.89	\$ 1,576,901.83	\$ 961,793.19	\$ 1,282,029.73	\$ 390,867.16	\$ 556,433.92	\$ 14,243,244.72

NOTE 10 - PENSION PLANS

A. Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (System) is a multiple-employer cost sharing defined benefit pension plan administered by the North Carolina State Treasurer.

After five years of creditable service, members of the Teachers' and State Employees' Retirement System qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

membership service (age 55 and 5 years of creditable service for law enforcement officers), reach age 60 with 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.81% of an average final compensation (based on the 4 consecutive years that produce the highest average) multiplied by the number of years of creditable service. Employees may retire with reduced benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of creditable service (age 50 with 15 years creditable service for law enforcement officers).

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by North Carolina General Statutes 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2002, these rates were set at 1.97% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2002, the College had a total payroll of \$8,033,958.42, of which \$6,257,900.87 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$ 375,474.05 and \$123,280.65, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2002, 2001, and 2000, which were \$123,280.65, \$312,354.41, and \$440,214.17, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.state.nc.us/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Deferred Compensation and Supplemental Retirement Income Plans** - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. There were no voluntary contributions by employees for the year ended June 30, 2002.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$133,599.00 for the year ended June 30, 2002.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other non-profit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$1,374.00 for the year ended June 30, 2002.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Care for Long-Term Disability Beneficiaries and Retirees -** The College participates in State-administered programs which provide postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The College contributed 2.35% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended June 30, 2002, the College's total contribution to the Plan was \$147,060.67. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*.

- B. Long-Term Disability** - The College participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year term cost method. The College contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System and the Optional Retirement Program to the DIPNC. For the fiscal year ended June 30, 2002, the College's total contribution to the DIPNC was \$32,541.08. 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.

Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$11,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the North Carolina Community College System Office directly to the private insurer.

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles used for instructional purposes are covered by liability insurance handled by the State Department of Insurance. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible. The College provides coverage for losses from employee dishonesty and fraud for all other founded employees, Board of Trustees, Trustees, Directors, volunteers, and students under supervision of a College employee. The coverage is \$100,000 per employee and occurrence.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan (Plan), a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third-party contractor. Effective for the October 1, 2001 through September 30, 2002 year, the Plan no longer offers health coverage through HMO plans.

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from State funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the board entirely from County or Institutional Funds.

Term life insurance of \$25,000 to \$50,000 is provided to eligible workers. This self-insured death benefit program is administered by the State Treasurer and funded via employer contributions.

Additional details on the State-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. Commitments - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on other purchases were \$9,546.34 at June 30, 2002.

B. Community College General Obligation Bonds - The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The funds authorized are to be used solely to construct new buildings and to renovate and modernize existing

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

buildings on the North Carolina Community College System campuses. The bond legislation specifies the amount of bond funding for each College campus as well as the intended amount for new construction and repair and replacement. The legislation further provides that the State Board of Community Colleges shall be responsible for the approval of projects in accordance with provisions of the legislation. The bonds are authorized to be issued over a six-year period beginning in 2001 at a level not to exceed amounts provided in the legislation. Using a cash flow financing approach, The Community College System's Office (CCSO), establishes annual amounts not to exceed for each approved project. The amounts not to exceed are subject to change due to actual cash availability and needs during the year. Subsequent to the bond sales and the availability of bond proceeds, CCSO notifies the Office of State Budget and Management (OSBM) of the amount not to exceed for the total of the approved projects. Within this amount, based on an official request of cash needs from the State Board of Community Colleges, OSBM authorizes allotments. These allotments are then recorded to specific community college allotment accounts by the CCSO. The College records the allotments as revenue on the accompanying financial statements. The College's remaining authorization \$2,786,619.43 is contingent on future bond sales and CCSO allotment approval. Because of uncertainty and time restrictions the remaining authorization is not recorded as an asset or revenue on the accompanying financial statements.

NOTE 14 - RANDOLPH COMMUNITY COLLEGE FOUNDATION, INC.

The Randolph Community College Foundation, Inc. is a separately incorporated non-profit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net assets, or operational transactions of the Foundation, except for the distributions made and benefits provided by the Foundation. The distributions received and/or benefits provided approximated \$143,301.21 for the year ended June 30, 2002.

NOTE 15 - ACCOUNTING CHANGES

Effective July 1, 2001, the College implemented 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 financial statement presentation

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

required by these Statements is a single-column enterprise activity rather than the fund-group perspective previously reported. Significant accounting changes in order to comply with the new requirements include adopting depreciation on capital assets, reporting revenues net of discounts and allowances, eliminating inter-fund activities, classifying activities as operating or nonoperating, classifying assets and liabilities as current or noncurrent, and prorating summer school activities to periods earned.

In addition, the College implemented GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Changes in existing disclosures include more detailed information on debt service requirements, obligations under leases, and short-term debt. New disclosures include variable debt interest information and the major components of receivable and payable balances.

NOTE 16 - NET ASSET RESTATEMENT

As referred to in Note 15, the College implemented 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*.

July 1, 2001 Fund Equity as previously reported	\$ 20,393,222.39
Implementation of GASB 34/35	<u>(7,142,437.03)</u>
July 1, 2001 Net Assets as Restated	<u>\$ 13,250,785.36</u>

***Randolph Community College
Schedule of General Obligation Bond Project Authorizations,
Budgets, and Expenditures
For Project-to-Date as of June 30, 2002***

Schedule 1

	Projected Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Expected Completion Date
Capital Improvement Projects							
<i>Projects Approved by the State Board</i>							
Project 1174 Bundle #1	Jun 2001	\$ 244,413.00	\$ 0.00	\$ 244,413.00	\$ 243,289.57	99.54%	Apr 2002
Project 1174 Bundle #2	Jul 2002	805,846.00		805,846.00			Oct 2003
<i>Projects Pending Approval by the State Board</i>							
Repair and Renovation	Jul 2005	635,271.00		635,271.00			
<i>Projects to be Determined</i>							
New Construction Projects	Jul 2003	1,344,379.00		1,344,379.00			
Total All Projects		\$ 3,029,909.00	\$ 0.00	\$ 3,029,909.00	\$ 243,289.57		

Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of six hundred million dollars of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The projects listed on this schedule are those funded or to be funded by bond proceeds from the general obligation bonds authorized by Senate Bill 912.

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July 23, 2003

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