STATE OF NORTH CAROLINA

ROBESON COMMUNITY COLLEGE

LUMBERTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2008

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

Robeson Community College

Lumberton, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2008

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA,
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina
Board of Trustees, Robeson Community College

We have completed a financial statement audit of Robeson Community College for the year ended June 30, 2008, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements disclosed certain deficiencies that are detailed in the Audit Findings and Responses section of this report. The College's response is included following each finding.

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Robeson Community College
Lumberton, North Carolina

We have audited the accompanying basic financial statements of Robeson Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Robeson Community College Service Corporation, the College's blended component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this entity, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Robeson Community College Service Corporation were not audited in accordance with *Government Auditing Standards.* An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Robeson Community College as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement 50, *Pension Disclosures*, during the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2009, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The Management's Discussion and Analysis, as listed in the table of contents, 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Beth A. Wood, CPA
State Auditor

March 19, 2009

This section of Robeson Community College's Financial Statements presents management's discussion and analysis of the College's financial activity during the fiscal year June 30, 2008, with comparative data for fiscal year ended June 30, 2007. This management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts. Please read it in conjunction with the College's basic financial statements and the notes to the financial statements.

Using This Annual Report

The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The Statement of Net Assets includes all assets and liabilities. This statement combines and consolidates current financial resources (short-term expendable resources) with capital assets. The increase or decrease in net assets is an indicator of the improvement or erosion of the College's financial condition. The focus of the Statement of Revenues, Expenses, and Changes in Net Assets is designed to be similar to bottom line results for the College. This statement focuses on both the gross and the net costs of College activities, which are supported mainly by State funds, county appropriations, and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

The information in this section is intended to provide a general overview of the College's financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information. For more information, please contact the Business Services Office at (910) 272-3541.

Institutional Assets

The assets of the College are divided between current and noncurrent assets. Current assets include cash and cash equivalents, receivables, and inventories. Noncurrent assets include cash and cash equivalents, receivables due from the State for construction projects, and capital assets (land, construction in progress, buildings, general infrastructure, and equipment). Current cash decreased due to various accounts declining including, but not limited to the National Institute of Health, Heavy Equipment Operator, and the Kate B. Reynolds grants. For fiscal year ended June 30, 2008, the College had negative cash in the amount of $32,860.77 for the National Institute of Health Grant, compared to positive cash of approximately $1,100.00 in the prior fiscal year. Monies for the Heavy Equipment Operator and Kate B. Reynolds grants were received in the prior fiscal year. Therefore, the cash decreased as the monies were spent in the current fiscal year. Also, Robeson Community College Service Corporation's cash decreased by approximately 30% due to the gift from Southeastern Regional Medical Center which was received in fiscal year ending 2007 and is being continuously expended. Due from Primary Government increased as a result of the increase in allotments from bond funds for the construction of the Workforce Development Building.

Condensed Statement of Net Assets

	June 30, 2008	June 30, 2007 (as restated)	Change	% Change
Current Assets	$ 2,055,244.14	$ 2,029,586.97	$ 25,657.17	1.26%
Capital Assets (Restated)	19,759,387.08	20,005,272.69	(245,885.61)	-1.23%
Other Noncurrent Assets	2,768,480.85	1,895,200.45	873,280.40	46.08%
Total Assets	24,583,112.07	23,930,060.11	653,051.96	2.73%
Current Liabilities	934,129.51	871,400.19	62,729.32	7.20%
Noncurrent Liabilities	942,584.01	1,027,616.61	(85,032.60)	-8.27%
Total Liabilities	1,876,713.52	1,899,016.80	(22,303.28)	-1.17%
Net Assets	$ 22,706,398.55	$ 22,031,043.31	$ 675,355.24	$ 3.07%

The College's capital assets are stated at their purchase price or, in the case of donations, assigned a fair market value when they are accepted. The College records purchases as a capital asset when the purchase price is more than $5,000.00 at the date of purchase and the asset has a useful life of more than one year. Library books are not included as assets.

The College uses straight-line depreciation to determine the current value of capital assets. In this fiscal year, management reevaluated and established appropriate useful lives for fixed assets. This resulted in a restatement for $43,283.23 to beginning net assets. Buildings are depreciated over 50 years. In general, infrastructure is depreciated over 15 to 24 year period and equipment is depreciated in 5 to 15 years, depending on the expected useful life of the infrastructure, building or equipment.

Institutional Liabilities

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities that extend beyond one year. Long-term liabilities include capital leases and the portion of accrued employee annual leave that will not be paid within the next fiscal year, calculated at the current salary rates for each employee, consistent with the institution's leave policies. The majority of the 8.27% decrease in long-term liabilities was due to the payment of principal and interest on capital leases.

Accounts payable and accrued liabilities, the College's largest current liability at June 30, 2008, includes amounts due to vendors and accrued payroll. The majority of the increase in current liabilities is due to accounts payable. The majority of this increase was due to the College renovating rooms in Building 5 and incurring costs for new furniture.

Net Assets

Net Assets are a measure of the value of all the College's assets after liabilities and depreciation are deducted. The College's net assets increased by $675,355.24 for the fiscal year to $22,706,398.55.

Revenues

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees, federal, State and local grants and contracts, and the revenue received from sales and services, principally comprised of the revenue received from vending and the student government association. The largest operating revenue in the amount of $4,246,992.16 accrues from the College's participation in Federal Title IV financial aid programs, and is reported as a component of federal grants and contracts.

In operating revenues, federal grants and contracts decreased by $501,769.26, which was mainly due to approximately 376 fewer recipients of the Pell Grant awards. State and local grants and contracts increased by $268,713.73 and this increase is the result of revenue earned from the North Carolina Community College Grant, the North Carolina Incentive Grant, Targeted Assistance and the North Carolina Educational Lottery Scholarship. Other operating revenues decreased primarily due to the Robeson Community College Service Corporation's revenue decreasing by approximately $280,000.00. This is due to the gift received from Southeastern Regional Medical Center in the prior fiscal year and not the current fiscal year.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	June 30, 2008	June 30, 2007	Change	% Change
Operating Revenues	$ 7,413,185.96	$ 7,474,226.22	$ (61,040.26)	-0.82%
Operating Expenses:				
Personal Services	17,194,712.01	15,980,216.45	1,214,495.56	7.60%
Supplies and Materials	2,086,885.91	2,432,284.42	(345,398.51)	-14.20%
Services	2,878,122.02	2,806,468.32	71,653.70	2.55%
Scholarships and Fellowships	3,963,401.39	4,163,890.68	(200,489.29)	-4.81%
Utilities	475,838.79	464,406.82	11,431.97	2.46%
Depreciation	845,795.17	831,683.38	14,111.79	1.70%
Total Operating Expenses	27,444,755.29	26,678,950.07	765,805.22	2.87%
Operating Loss	(20,031,569.33)	(19,204,723.85)	(826,845.48)	4.31%
Nonoperating Revenue	18,623,107.56	17,635,867.52	987,240.04	5.60%
Other Revenues	2,083,817.01	3,255,242.30	(1,171,425.29)	-35.99%
Total Increase in Net Assets	675,355.24	1,686,385.97	(1,011,030.73)	-59.95%
Net Assets, Beginning of Period (as restated)	22,031,043.31	20,344,657.34	1,686,385.97	
Net Assets, End of Period	$ 22,706,398.55	$ 22,031,043.31	$ 675,355.24	

Nonoperating revenues comprise the major portion of the College's income and include formula allocations from the North Carolina State Board of Community Colleges for current expense, equipment, and capital improvements, as well as funds appropriated from the Robeson County Board of Commissioners. Noncapital gifts include contributions from the Robeson Community College Foundation, Inc.

Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits identified as salaries and benefits. Support cost, scholarships, and depreciation make up the balance of direct cost.

An increase in operating expenses of $765,805.22 was due in majority to the increase in salaries and benefits. The salaries and benefits increase of $1,214,495.56 was caused by the addition of five full-time employees, and employee salary increases of 5%. The supplies and materials decreased by $345,398.51 as a result of less spending on instructional supplies and minor equipment.

Capital Contributions

State capital contributions are received through appropriations from the North Carolina State Board of Community Colleges under a formula allocation for educational equipment and library books. The North Carolina State Board of Community Colleges also provided construction funds as part of the North Carolina 2000 Higher Education Bond Referendum and previous legislative action providing funds for renovations and repairs. Robeson County provides capital contributions for maintenance equipment, motor vehicles, and small construction items.

Capital Assets

Robeson Community College's investment in capital assets as of June 30, 2008, amounted to $19,759,387.08, net of accumulated depreciation. This investment in capital assets includes construction in progress, machinery and equipment, vehicles, land, buildings, and general infrastructure.

Contracts were signed the early part of July 2008 to begin construction on the Workforce Development Building.

Significant Effects on Financial Position

The College received $106,500.00 from the 2000 North Carolina Higher Education Bond Referendum. Funds are allocated according to a cash flow schedule established by the North Carolina State Board of Community Colleges with final distribution of funds ending June 2008.

Economic Factors Impacting Future Periods

A crucial element to the College's future will continue to be our relationship with the State of North Carolina and the North Carolina General Assembly as we work to maintain revenue sufficient to provide an outstanding College education for our students. There is a direct relationship between the growth of the State support and the College's ability to provide services.

Amid concerns for rising gasoline prices, textbook costs, increased tuition, and several other factors, the College's FTE has remained relatively flat with FTE for 2008 at 3,631 from 3,613 in 2007. A strategy of the College is to increase distance learning classes to meet the demand. Online classes were in great demand for the 2008 fall semester and resulted in an increase of 56.6% over the 2007 fall semester. When combined with hybrid courses also offered by the College, the overall enrollment numbers grow even larger. The College's Long Range Strategic Plan has identified facilities and programs designed for changing employment needs in the region which will likely increase enrollment and modernize and expand its complement of facilities with a balance of new construction for the next bond issue.

The College takes every opportunity to acquire alternative funding. Grants received during 2008 included:

- Robeson Regional Biotech Education Consortium ($251,085.00)
- Developing Future Scientists in Rural North Carolina ($59,198.00)
- Professional Development Training to Enhance Instructional Effectiveness of Faculty for a 21st Century Leaning Environment ($17,000.00)
- RCC Student Support Services ($219,948.00)
- Workforce Investment Act-Out of School Youth Program for Robeson County ($256,453.00)

Robeson Community College
Statement of Net Assets
June 30, 2008

Exhibit A-1

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	647,490.89
Restricted Cash and Cash Equivalents		133,700.90
Receivables, Net (Note 3)		1,022,492.90
Due from State of North Carolina Component Units		203,579.77
Inventories		47,979.68
Total Current Assets		2,055,244.14
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		59,299.52
Restricted Due from Primary Government		2,709,181.33
Capital Assets - Nondepreciable (Note 4)		633,998.63
Capital Assets - Depreciable, Net (Note 4)		19,125,388.45
Total Noncurrent Assets		22,527,867.93
Total Assets		24,583,112.07
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 5)		499,173.36
Unearned Revenue		40,236.79
Funds Held for Others		194,581.95
Long-Term Liabilities - Current Portion (Note 6)		200,137.41
Total Current Liabilities		934,129.51
Noncurrent Liabilities:		
Long-Term Liabilities (Note 6)		942,584.01
Total Noncurrent Liabilities		942,584.01
Total Liabilities		1,876,713.52

NET ASSETS		
Invested in Capital Assets, Net of Related Debt		19,716,530.31
Restricted for:		
Expendable:		
Scholarships and Fellowships		39,071.42
Capital Projects		2,809,123.29
Other		281,728.10
Unrestricted		(140,054.57)
Total Net Assets	$	22,706,398.55

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

Robeson Community College
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2008 ***Exhibit A-2***

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 9)	$	1,048,384.19
Federal Grants and Contracts		5,039,264.74
State and Local Grants and Contracts		928,023.47
Sales and Services		233,498.11
Other Operating Revenues		164,015.45
Total Operating Revenues		7,413,185.96
EXPENSES		
Operating Expenses:		
Personal Services		17,194,712.01
Supplies and Materials		2,086,885.91
Services		2,878,122.02
Scholarships and Fellowships		3,963,401.39
Utilities		475,838.79
Depreciation		845,795.17
Total Operating Expenses		27,444,755.29
Operating Loss		(20,031,569.33)
NONOPERATING REVENUES		
State Aid		15,588,591.95
County Appropriations		2,040,000.00
Noncapital Grants		776,701.43
Noncapital Gifts		174,010.92
Investment Income		43,803.26
Nonoperating Revenues		18,623,107.56
Loss Before Other Revenues		(1,408,461.77)
State Capital Aid		1,941,251.57
County Capital Aid		100,000.00
Capital Grants		42,565.44
Increase in Net Assets		675,355.24
NET ASSETS		
Net Assets, July 1, 2007 as Restated (Note 17)		22,031,043.31
Net Assets, June 30, 2008	$	22,706,398.55

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

Robeson Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2008 ***Exhibit A-3***

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 7,416,457.21
Payments to Employees and Fringe Benefits	(17,161,822.85)
Payments to Vendors and Suppliers	(5,280,700.75)
Payments for Scholarships and Fellowships	(3,963,401.39)
Other Payments	(132,166.05)
Net Cash Used by Operating Activities	(19,121,633.83)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	15,588,591.95
County Appropriations	2,040,000.00
Noncapital Grants Received	604,807.46
Noncapital Gifts Received	174,010.92
Cash Provided by Noncapital Financing Activities	18,407,410.33
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	1,069,786.11
County Capital Aid	100,000.00
Capital Grants Received	42,565.44
Acquisition and Construction of Capital Assets	(599,909.15)
Principal Paid on Capital Debt and Leases	(88,699.88)
Net Cash Provided by Capital and Related Financing Activities	523,742.52
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	43,803.26
Net Decrease in Cash and Cash Equivalents	(146,677.72)
Cash and Cash Equivalents, July 1, 2007	987,169.03
Cash and Cash Equivalents, June 30, 2008	$ 840,491.31

Robeson Community College
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2008 — *Page 2*

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(20,031,569.33)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		845,795.17
Changes in Assets and Liabilities:		
Receivables, Net		(11,246.09)
Inventories		(4,762.18)
Accounts Payable and Accrued Liabilities		186,092.65
Unearned Revenue		15,404.91
Funds Held for Others		(133,053.62)
Compensated Absences		11,704.66
Net Cash Used by Operating Activities	$	(19,121,633.83)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	647,490.89
Restricted Cash and Cash Equivalents		133,700.90
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		59,299.52
Total Cash and Cash Equivalents - June 30, 2008	$	840,491.31

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	$	1,029,607.43

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

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Robeson Community College is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and component unit for which the College's Board of Trustees is financially accountable. The College's component unit is blended in the financial statements. The blended component unit, although legally separate, is, in substance, part of the College's operations and therefore, is reported as if it were part of the College.

Blended Component Unit - Although legally separate, Robeson Community College Services Corporation (Corporation) is reported as if it were part of the College. The Corporation is governed by a 12-member board consisting of 12 directors. The Corporation's purpose is to aid, support, and promote teaching, research, and service in the various educational, scientific, scholarly, professional, artistic, and creative endeavors of the College. Because the directors of the Corporation are the members of the Robeson Community College Board of Trustees and the Corporation's sole purpose is to benefit Robeson Community College, its financial statements have been blended with those of the College.

Separate financial statements for the Corporation may be obtained from the Robeson Community College Business Office, P.O. Box 1420, Lumberton, NC 28359, or by calling (910) 272-3541. Other related foundations and similar nonprofit corporations for which the College is not financially accountable are not part of the accompanying financial statements.

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*, the full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply 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.

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.

D. Cash and Cash Equivalents - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

E. Receivables - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

F. Inventories - Inventories, consisting of expendable supplies, are valued at the lower of cost or market using the first-in, first-out 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 more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line and/or units of output method over the estimated useful lives of the assets, generally 15 to 24 years for general infrastructure, 50 years for buildings, and 5 to 15 years for equipment.

H. Restricted Assets - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted or designated for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.

I. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities include compensated absences and capital lease obligations that will not be paid within the next fiscal year.

J. Compensated Absences - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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, Net of Related Debt - This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

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

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

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

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 classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, State and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

N. County Appropriations - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling $500.00, and deposits in private financial institutions with a carrying value of $491,084.18 and a bank balance of $752,695.72.

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.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2008, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

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

At June 30, 2008, the amount shown on the Statement of Net Assets as cash and cash equivalents includes $348,907.13 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 2.9 years as of June 30, 2008. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's *Comprehensive Annual Financial Report.* An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.ncosc.net/ and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 762,458.05	$ 321,175.14	$ 441,282.91
Intergovernmental	581,209.99		581,209.99
Total Current Receivables	$ 1,343,668.04	$ 321,175.14	$ 1,022,492.90

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2008, is presented as follows:

	Balance July 1, 2007 (as Restated)	Increases	Decreases	Balance June 30, 2008
Capital Assets, Nondepreciable:				
Land	$ 466,714.76	$ 47,023.00	$ 0.00	$ 513,737.76
Construction in Progress		120,260.87		120,260.87
Total Capital Assets, Nondepreciable	466,714.76	167,283.87		633,998.63
Capital Assets, Depreciable:				
Buildings	21,035,136.97	1,632.47		21,036,769.44
Machinery and Equipment	3,623,006.23	430,993.22	289,360.16	3,764,639.29
General Infrastructure	3,353,258.11			3,353,258.11
Total Capital Assets, Depreciable	28,011,401.31	432,625.69	289,360.16	28,154,666.84
Less Accumulated Depreciation:				
Buildings	5,955,763.29	465,992.64		6,421,755.93
Machinery and Equipment	1,861,459.55	270,903.37	289,360.16	1,843,002.76
General Infrastructure	655,620.54	108,899.16		764,519.70
Total Accumulated Depreciation	8,472,843.38	845,795.17	289,360.16	9,029,278.39
Total Capital Assets, Depreciable, Net	19,538,557.93	(413,169.48)		19,125,388.45
Capital Assets, Net	$ 20,005,272.69	$ (245,885.61)	$ 0.00	$ 19,759,387.08

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2008, were as follows:

	Amount
Accounts Payable	$ 344,923.93
Accrued Payroll	149,063.01
Intergovernmental Payables	5,186.42
Total Accounts Payable and Accrued Liabilities	$ 499,173.36

NOTE 6 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities – A summary of changes in the long-term liabilities is presented as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
Capital Leases Payable	$ 131,556.65	$ 0.00	$ 88,699.88	$ 42,856.77	$ 42,856.77
Compensated Absences	1,088,159.99	802,208.70	790,504.04	1,099,864.65	157,280.64
Total Long-Term Liabilities	$ 1,219,716.64	$ 802,208.70	$ 879,203.92	$ 1,142,721.42	$ 200,137.41

Additional information regarding capital lease obligations is included in Note 7.

NOTE 7 - LEASE OBLIGATIONS

A. Capital Lease Obligations - Capital lease obligations relating to a lighting system and generator are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2008:

Fiscal Year	Amount
2009	$ 43,437.31
Amount Representing Interest (7.104% Rate of Interest)	580.54
Present Value of Future Lease Payments	$ 42,856.77

B. Operating Lease Obligations - Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2008:

Fiscal Year	Amount
2009	$ 87,266.32
2010	63,044.84
2011	17,549.09
2012	516.41
Total Minimum Lease Payments	$ 168,376.66

Rental expense for all operating leases during the year was $91,855.66.

NOTE 8 - FUTURE RENTAL REVENUES

Future minimum lease revenue under non-cancelable operating leases related to wireless broadband services are recorded when earned. Minimum future revenues under non-cancelable agreements treated as operating leases as of June 30, 2008 consist of the following:

Fiscal Year	Amount
2009	$ 20,410.00
2010	20,410.00
2011	20,410.00
2012	20,410.00
2013	20,410.00
2014-2018	102,050.00
Total Future Minimum Revenue	$ 204,100.00

Rental revenue for all operating leases for the year was $20,410.00.

NOTE 9 - 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	$ 2,241,512.82	$ 1,193,128.63	$ 1,048,384.19

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Personal Services	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 10,826,596.67	$ 1,064,487.44	$ 1,309,073.82	$ 0.00	$ 0.00	$ 0.00	$ 13,200,157.93
Academic Support	1,721,168.85	159,963.14	121,797.48				2,002,929.47
Student Services	1,452,730.07	29,890.72	164,713.49				1,647,334.28
Institutional Support	2,398,247.53	196,206.91	767,080.87	934.77			3,362,470.08
Operations and Maintenance of Plant	720,002.26	635,273.60	405,721.26		475,838.79		2,236,835.91
Student Financial Aid	75,966.63	1,064.10	12,780.61	3,962,466.62			4,052,277.96
Auxiliary Enterprises			96,954.49				96,954.49
Depreciation						845,795.17	845,795.17
Total Operating Expenses	$ 17,194,712.01	$ 2,086,885.91	$ 2,878,122.02	$ 3,963,401.39	$ 475,838.79	$ 845,795.17	$ 27,444,755.29

NOTE 11 - 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 cost sharing multiple-employer defined benefit pension plan administered by the North Carolina State Treasurer.

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, 2008, these rates were set at 3.05% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of $14,455,804.20, of which $10,922,399.87 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were $333,133.20 and $655,343.99, respectively.

Required employer contribution rates for the years ended June 30, 2007, and 2006, were 2.66% and 2.34%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2008, 2007, and 2006, which were $333,133.20, $271,568.49, and $208,587.83, respectively.

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

The Optional Retirement Program (Program) is a defined contribution retirement plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. The North Carolina State Board of Community Colleges is responsible for the administration of the Program and designates the companies authorized to offer investment products. The Board has authorized the following carriers: Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), Lincoln Life Insurance Company, Variable Annuity Life Insurance Company (VALIC), and Fidelity Investments. Participants may elect to allocate their contributions and the College contributions to the carrier of their choice. Each carrier offers a variety of investment funds, including both fixed and variable account investment options and mutual funds.

Participants in the Program are immediately vested in the value of employee contributions. The value of employer contributions is vested after five years of participation in the Program. Participants become eligible to receive distributions when they terminate employment or retire.

Participant eligibility and contributory requirements are established by General Statute 135.5-1. Employer and member contribution rates are set each year by the North Carolina General Assembly. For the year ended June 30, 2008, these rates were set at 6.84% of covered payroll for employers and 6% of covered payroll for members. The College assumes no liability other than its contribution.

For the year ended June 30, 2008, the College had a total payroll of $14,455,804.20 of which $143,846.88 was covered under the Optional Retirement Program. Total employee and employer contributions for pension benefits for the year were $8,630.78 and $9,839.13.

B. Supplemental Retirement Income Plans - 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 $33,650.00 for the year ended June 30, 2008.

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 nonprofit 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 $276,200.00 for the year ended June 30, 2008.

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 and the Optional Retirement Program. 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 135-7, Article 1, and Chapter 135, Article 3, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

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

For the current fiscal year the College contributed 4.1% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2007, and 2006, were 3.8% and 3.8%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2008, 2007, and 2006, which were $453,716.12, $392,966.54, and $343,227.62, 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.ncosc.net/ and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

B. **Disability Income** - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System and the Optional Retirement Program. 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 in the Appropriations Bill by the General Assembly. For the fiscal year ended June 30, 2008, the College made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2007, and 2006, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2008, 2007, and 2006, which were $57,544.48, $53,088.58, and $49,967.99, 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, and can include 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 $1,000,000 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 $5,000,000 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 the Public School Insurance Fund, a State-administered public entity risk pool. This fund is financed by premiums and interest and incurs a $10 million self-insured deductible per occurrence. Reinsurance is purchased by the fund to cover catastrophic events in excess of the $10 million deductible. 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.

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 with coverage of $5,000,000 per occurrence with a $75,000 deductible and a 10% participation in each loss above the deductible. The College is protected for losses from employee dishonesty and computer fraud for employees paid by county and institutional funds by contracts with private insurance companies.

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.

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.

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. Malpractice coverage for campus programs requiring coverage is provided by contracts with private insurance companies. The College's Inland Marine policy for the Heavy Equipment Operator program covers rental equipment and is provided by contracts with private insurance companies.

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. The employer contribution rate was .16% for the current fiscal year.

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Commitments - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $175,000 and on other purchases were $87,673.03 at June 30, 2008.

B. Pending Litigation and Claims - The College is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. College management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the College.

NOTE 15 - ROBESON COMMUNITY COLLEGE FOUNDATION, INC.

The Robeson Community College Foundation, Inc. is a separately incorporated nonprofit 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 $110,148.98 for the year ended June 30, 2008.

NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2008, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

GASB Statement No. 50, *Pension Disclosures.*

GASB Statement No. 45, requires cost-sharing employers to recognize OPEB expense for their contractually required contributions to the plan generally consistent with the approach adopted in GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers, with modifications to reflect differences between pension benefits and OPEB.*

GASB Statement No. 50, aligns financial reporting requirements for pensions with those of other postemployment benefits, to conform with GASB Statement No. 45. This Statement amends GASB Statement 27 to require note disclosure of the employer contribution rates and percentage of the amount contributed for the current and preceding two years and to disclose how the required contribution rates are established.

NOTE 17 - NET ASSET RESTATEMENTS

As of July 1, 2007, net assets as previously reported was restated as follows:

	Amount
July 1, 2007 Net Assets as Previously Reported	$ 21,395,957.78
Restatements:	
Record Accounts Receivable Balances from Prior Periods	145,544.92
Correct Unearned Revenue for Prior Years	48,323.74
Correct Accounts Receivable Balances for Fiscal Year 2006	(192,004.97)
Correct Accounts Payable Balances for Errors in Fiscal Year 2006	450,282.71
Correct Prior Period Error in Capital Assets	139,655.90
Error in Establishing Useful Lives of Capital Assets When New Reporting Model Was Implemented	43,283.23
July 1, 2007 Net Assets as Restated	$ 22,031,043.31

NOTE 18- SUBSEQUENT EVENTS

The College entered into a multi-prime contract for the construction of the Workforce Development Center on July 18, 2008. The total commitment of $3,311,252 consists of $2,376,147 for the general contract, $288,000 for the electrical contract, $222,105 for the plumbing contract, and $425,000 for the HVAC contract.

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

Board of Trustees
Robeson Community College
Lumberton, North Carolina

We have audited the financial statements of Robeson Community College, a component unit of the State of North Carolina, as of and for the year ended June 30, 2008, and have issued our report thereon dated March 19, 2009. Our report was modified to include a reference to other auditors.

As discussed in Note 16 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement 50, *Pension Disclosures*, during the year ended June 30, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Robeson Community College Service Corporation, as described in our report on the College's financial statements. The financial statements of Robeson Community College Service Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control. We consider the deficiencies described in findings 1 through 3 in the Audit Findings and Responses section of this report to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding 1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The College's responses to the findings identified in our audit are described in the Audit Findings and Responses section of this report. We did not audit the College's response and, accordingly, we express no opinion on it.

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

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

Beth A. Wood, CPA
State Auditor

March 19, 2009

Matters Related to Financial Reporting

The following findings were identified during the current audit and describe conditions that represent significant deficiencies in internal control or noncompliance with laws, regulations, contracts, grant agreements or other matters.

1. FINANCIAL STATEMENT PRESENTATION ERRORS

The financial statements prepared by the College contained misstatements that were corrected as a result of our audit. Without these corrections, the financial statements could have been misleading to readers. Misstatements included:

- Accounts Receivable was overstated by $1,000,000 because the College inappropriately recognized revenues that had not yet been earned.
- Accounts Payable was overstated by $450,283 due to the failure to reverse out a prior year accrual transaction.
- Federal Grants and Contracts and Accounts Receivable were overstated by $289,888 due to the failure to reverse a prior year accrual transaction.
- Notes to the financial statements required revisions to correct amounts.

Recommendation: The College should place greater emphasis on, and devote more resources to the year-end financial reporting process and implement effective internal controls to ensure complete and accurate financial statements.

College Response: Robeson Community College agrees with the audit finding. The College will place greater emphasis on the year-end financial reporting process and implement effective internal controls to ensure the accuracy of the financial statements.

The $1,000,000 receivable was from a grant awarded by the Economic Development Administration for the construction of the Workforce Development Building. The receivable was initially recorded as a year-end adjustment; however, as the audit was being conducted, the auditors determined that this could be misleading and that the receivable should not be recorded until the contract for construction was signed July 2008. The College agrees and made the correction to accurately present the financial report and will record the receivable in fiscal year ending June 30, 2009.

2. PHYSICAL INVENTORY PROCEDURES ARE INADEQUATE

The physical inventory process for capital assets is not adequate to ensure the existence of the machinery and equipment of the College. At no time in the inventory process is the asset's existence verified by anyone aside from the custodian of the asset. This condition increases the risk that assets recorded on the College's financial statements could be lost or misappropriated without detection.

Our physical examination of a sample of 16 assets revealed one item, a data projector, was missing. Upon further examination, it was discovered that this item was checked out from the media department in 2002 and was never returned by the employee, who had since resigned. There had been no investigation or inquiry as to the whereabouts of this asset prior to our test.

The North Carolina Office of the State Controller's Physical Inventory Policy requires the inventory to be taken by someone who does not have custody of the assets, nor responsibility for receiving, checking in, tagging, and recording the assets. Additionally, items deemed missing are to be listed on a missing assets report and efforts to locate the asset should be documented.

Recommendation: The College should enhance its physical inventory procedures to include verification of the existence of the asset by someone who does not have custody of the asset, nor responsibility for receiving, checking in, tagging, or recording of the assets. Additionally, the location of assets identified as missing should be adequately investigated and documented.

College Response: Robeson Community College concurs with the need for separation of duties in the area of physical inventory. Accordingly, management has initiated action to reassign the duty to perform the physical inventory to someone who does not have custody of the asset, nor responsibility for receiving, checking in, tagging and recording of the assets. The reassignment of these duties will be completed in approximately 30 days and no later than June 30, 2009.

3. CONTROLS OVER TRANSPORTATION COSTS NEED IMPROVEMENT

The College did not have procedures in place to monitor the transportation costs of the Basic Skills program. The College expended $459,000, 12% of the total grant, to transport students to and from class. Without proper controls, the College could be paying for excessive costs or for services not received. The following issues were noted:

- The College has used the same vendors for transportation services for a number of years. The College has not submitted bids for these services to determine if there are other interested vendors that could possibly provide the services at a lower price.

- The drivers establish the routes and compute the number of miles for each route based on the students that are assigned to the route. Payments are made based on the number of miles in the route multiplied by the agreed-upon rate. The College does not check the miles to determine if reasonable.

- If routes are shortened because students are absent for a given day, the mileage reimbursement is not reduced. We examined a month's class rosters for a sample of 23 students for whom transportation costs were paid and found that the students only attended 53% of the time. The attendance rates for our sample students ranged from 16% to 100%. We were unable to locate one student in our sample on any class roster for the test month.

- Students sign a log each day when they use the bus serivce. This documentation is destroyed after the payment is made. The College does not compare the actual riders to the list of students that are assigned to the bus route.

Recommendation: The College should require competitive bidding for services needed for operations. The College should monitor the invoices and determine that the miles billed are reasonable and should match the list of riders to the invoice. The College should evaluate its program and determine if other arrangements could be made to more closely match the expenditure with the benefits the College is receiving.

College Response: Robeson Community College concurs that the Basic Skills program transporation services needs to be advertisted for competitive bids. The President has requested that bid specifications for those services be developed and bids be taken for the 2009-2010 school year. Once received, the bids will be tabulated and the lowest and best bid approved by the Robeson Community College Board of Trustees. Additionally, the College will put in place procedures to insure students are signing the daily transportation logs in order to conduct periodic checks of riders to students assigned to the bus routes and establish a process for maintaining such logs effective immediately.

ORDERING INFORMATION

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

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