



# STATE OF NORTH CAROLINA

**ROBESON COMMUNITY COLLEGE**

**LUMBERTON, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2010**

**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, 2010**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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

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

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**AUDITOR'S TRANSMITTAL**

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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, 2010, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

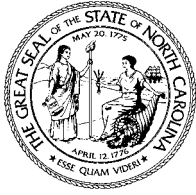
A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

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**Beth A. Wood, CPA**  
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**INDEPENDENT AUDITOR'S REPORT**

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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, 2010, 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, which represent less than one percent of the assets, net assets, and revenues of the College. 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 Robeson Community College Service Corporation 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, 2010, 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.

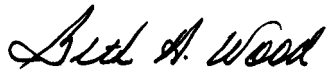
As discussed in Note 16 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2011 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, 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 required supplementary information. However, we did not audit the information and express no opinion on it.



Beth A. Wood, CPA  
State Auditor

April 29, 2011

## **ROBESON COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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 ending June 30, 2010, with comparative data for fiscal year ending June 30, 2009. 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 spendable 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. The 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, restricted due from primary government, and capital assets (land, construction in progress, buildings, general infrastructure, and equipment). Current cash increased for several reasons. The revenue derived from the self supporting summer school increased cash by just over \$43,000.00. The cash balance for the Workforce Investment Act grant increased as a result of monies owed to the College being approximately \$60,517.87 less at June 30, 2010 as opposed to the amount owed at the end of 2009. Various specific fee accounts increased slightly over \$86,000.00. Robeson Community College received a Golden LEAF Advance Manufacturing grant of \$500,000 in FY10. Golden LEAF advanced 80% of the grant causing cash to be increased \$400,000.00 over FY09. Due from State of North Carolina Component Units decreased in the amount of \$53,627.14 due to changes in the amount of receivables due from The Golden LEAF Foundation and the expiration of the National Institute of Health sub-award from the University of North Carolina at Pembroke. The increase in other noncurrent assets noted below is primarily due to a decrease in the account restricted due from primary government in the amount of \$287,273.55 and related to

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

the construction of the Workforce Development Building coming to a close resulting in less funding owed from primary government.

	<u>June 30, 2010</u>	<u>June 30, 2009</u> <u>(as restated)</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
Current Assets	\$ 3,352,175.10	\$ 2,931,880.16	\$ 420,294.94	14.34%
Noncurrent Assets:				
Capital Assets, Net of Depreciation	23,772,130.04	23,538,441.31	233,688.73	0.99%
Other Noncurrent Assets	<u>299,893.32</u>	<u>589,269.83</u>	<u>(289,376.51)</u>	-49.11%
Total Assets	<u>27,424,198.46</u>	<u>27,059,591.30</u>	<u>364,607.16</u>	1.35%
Current Liabilities	810,318.01	1,204,108.97	(393,790.96)	-32.70%
Noncurrent Liabilities	<u>940,967.59</u>	<u>856,786.17</u>	<u>84,181.42</u>	9.83%
Total Liabilities	<u>1,751,285.60</u>	<u>2,060,895.14</u>	<u>(309,609.54)</u>	-15.02%
Total Net Assets	<u>\$ 25,672,912.86</u>	<u>\$ 24,998,696.16</u>	<u>\$ 674,216.70</u>	2.70%

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 determined that roofs for Buildings 14 and 15 were capitalized in the prior year and should have been expensed which resulted in a restatement for (\$686,432.87) to beginning net assets. Nondepreciable capital assets decreased by \$3,311,915.05 which was a result of a reduction in the construction in progress account. The Workforce Development Center was completed in October 2009. 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 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. Long-term liabilities (current portion) decreased 38% as a result of a decrease in compensated absences liability. This decrease was a result of vacation and bonus leave payouts of several employees that retired and four non-renewal of contracts for prison employees. Accounts payable and accrued liabilities, the College's largest current liability at June 30, 2010, includes amounts due to vendors and accrued payroll. The majority of the decrease in current liabilities was due to the fact that there was no contract payable for the Workforce Development Center as in the prior year.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### 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 \$674,216.70 for the fiscal year to \$25,672,912.86.

### Revenues

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees and the revenue received from sales and services, principally comprised of the revenue received from vending and the student government association.

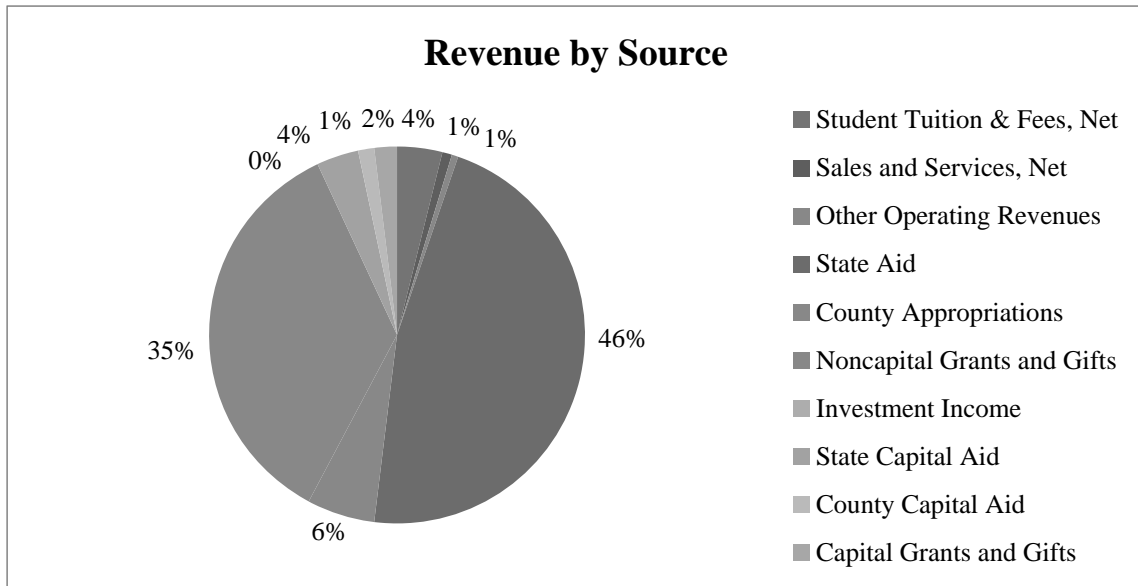
The largest operating revenue in the amount of \$1,247,542.95 accrues from the student tuition and fees.

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, federal, State and local grants and contracts 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.

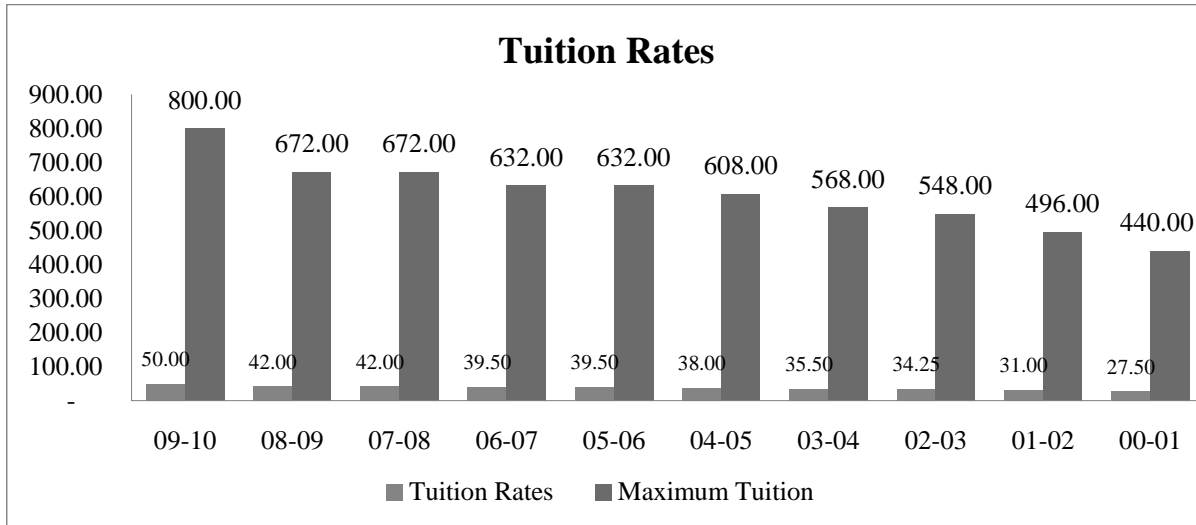
**Condensed Statement of Revenues, Expenses, and Changes in Net Assets**

	<u>June 30, 2010</u>	<u>June 30, 2009 (as restated)</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues	\$ 1,721,766.32	\$ 1,567,548.61	\$ 154,217.71	9.84%
Operating Expenses:				
Personal Services	17,745,738.54	17,803,578.02	(57,839.48)	-0.32%
Supplies and Materials	2,611,483.21	2,290,732.11	320,751.10	14.00%
Services	2,372,809.77	2,633,798.58	(260,988.81)	-9.91%
Scholarships and Fellowships	7,297,206.13	5,722,596.39	1,574,609.74	27.52%
Utilities	552,222.75	466,433.80	85,788.95	18.39%
Depreciation	914,239.70	816,643.33	97,596.37	11.95%
Total Operating Expenses	<u>31,493,700.10</u>	<u>29,733,782.23</u>	<u>1,759,917.87</u>	5.92%
Operating Loss	<u>(29,771,933.78)</u>	<u>(28,166,233.62)</u>	<u>(1,605,700.16)</u>	-5.70%
Nonoperating Revenues	<u>28,242,384.93</u>	<u>26,601,815.94</u>	<u>1,640,568.99</u>	6.17%
Other Revenues	<u>2,203,765.55</u>	<u>2,795,119.34</u>	<u>(591,353.79)</u>	-21.16%
Increase in Net Assets	<u>\$ 674,216.70</u>	<u>\$ 1,230,701.66</u>	<u>\$ (556,484.96)</u>	-45.22%

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**



The State tuition rates for in-state and out-of-state students increased for fiscal year ending 2010 to \$50.00 and \$241.30 per credit hour, respectively. Tuition rates have increased 81.81% over the last nine years.

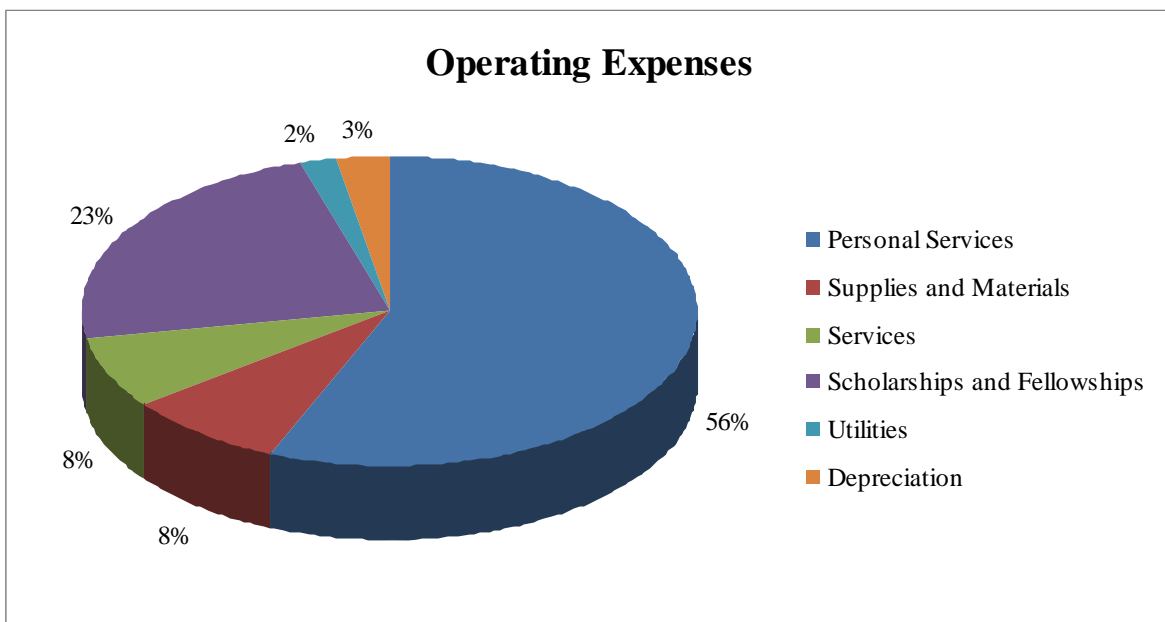


**Operating Expenses**

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. The total operating expenses increased by \$2,446,350.74. State tuition rates increased for in-state and out-of-

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

state students to \$50.00 and \$241.30. Scholarships and fellowships increased by \$1,574,609.74 due to the number of students eligible for financial aid and partly due to the increase in the allocation of the Pell award per student from \$2,366 to \$2,675 this year. The College awarded \$2,859,048.75 more in Pell grants in FY10 compared to FY09. Supplies and materials increased by \$320,751.10 which was caused by an increase in spending. For fiscal year ending June 30, 2009 the College underwent severe budget restrictions wherein there was a hiring freeze, professional development and travel was suspended and purchases were curtailed to only essential needs. The severity of these restrictions were not experienced this year thus resulting in an increase in supplies and materials expenditures. The College also incurred the cost of a new roof for Building 4 and the Robeson Community College Emergency Services Training Grounds.



### 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. State Capital Aid increased by \$310,770.43.

Robeson County provides capital contributions for maintenance equipment, motor vehicles, and small construction items. The county capital aid was reduced by \$287,980.00 for fiscal year 2010.

In addition, a majority of the decrease in other revenues is due to a reduction of \$877,808.56 in capital grants which resulted from an EDA grant for \$1,000,000.00 that was received in

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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FY09 for the Workforce Development Center. The Workforce Development Center project was closed out in October 2009. Another notable impact to other revenues is that the capital gifts increased by \$263,664.34 which was largely in part due to a portion of the Golden LEAF Advance Manufacturing grant which was awarded to the College for the renovation of Building 12.

### Capital Assets

Robeson Community College's investment in capital assets as of June 30, 2010, amounted to \$23,772,130.04, net of accumulated depreciation. This investment in capital assets includes construction in progress, machinery and equipment, vehicles, land, buildings, and general infrastructure.

### Economic Factors Impacting Future Periods

Amid concerns for textbook costs, increased tuition, and several other factors, the College's FTE has increased slightly from 3,730 in 2009 to 3,951 in 2010. 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. In addition, the state of the economy which is reflected by unemployment rates in Robeson and surrounding counties, has a direct relationship to enrollment. The following information reflects the unemployment rates in Robeson County.

	2010	2009	2008	2007	2006
January	12.60%	11.40%	7.40%	6.40%	6.00%
February	12.80%	12.30%	7.40%	6.50%	6.30%
March	12.00%	11.60%	7.10%	5.90%	5.80%
April	11.60%	11.50%	6.80%	6.00%	5.70%
May	11.70%	11.90%	7.50%	6.00%	6.10%
June	12.20%	12.30%	8.00%	6.50%	6.60%
July		12.10%	8.90%	6.70%	6.80%
August		11.90%	8.80%	6.20%	6.50%
September		11.20%	8.50%	5.70%	5.90%
October		11.40%	8.60%	5.90%	6.00%
November		11.30%	9.20%	6.20%	6.30%
December		11.50%	10.00%	6.30%	6.00%

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

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Enrollment figures for curriculum and continuing education are as shown below:

	<u>Fall</u>	<u>Spring</u>
2009-2010	7,854	unavailable
2008-2009	7,681	8,175
2007-2008	7,943	7,900
2006-2007	7,653	8,794
2005-2006	7,689	8,244
2004-2005	8,084	8,153

The College takes every opportunity to acquire alternative funding. Grants awarded during 2010 included:

- NASA Grant (\$138,448.00)
- Workforce Investment Act - Out of School Youth Program (\$211,497.00)
- American Recovery and Reinvestment Act (\$221,737.00)
- GoldenLEAF Advance Manufacturing (\$500,000.00)
- RCC Student Support Services (\$252,145.00)
- Robeson County Partnership for Children - Professional Development (\$78,220.00)  
Educational Award (\$407,689.00)
- USDA, Rural Development (\$76,570.00)
- GATE (40,461.00)

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. However, Robeson Community College will continue to respond to the community's needs by providing services and education to the population of Robeson County to the extent resources will allow.

**Robeson Community College**  
**Statement of Net Assets**  
**For the Fiscal Year Ended June 30, 2010**

**Exhibit A-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 1,190,405.52
Restricted Cash and Cash Equivalents	535,766.16
Receivables, Net (Note 3)	1,380,860.67
Due from State of North Carolina Component Units	170,143.80
Inventories	44,998.95
Prepaid Items	30,000.00
	<hr/>
Total Current Assets	3,352,175.10

Noncurrent Assets:

Restricted Cash and Cash Equivalents	44,409.01
Restricted Due from Primary Government	255,484.31
Capital Assets - Nondepreciable (Note 4)	531,699.69
Capital Assets - Depreciable, Net (Note 4)	23,240,430.35
	<hr/>
Total Noncurrent Assets	24,072,023.36
	<hr/>
Total Assets	27,424,198.46

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	527,747.20
Due to Primary Government	6,479.15
Unearned Revenue	51,370.13
Funds Held for Others	103,049.26
Long-Term Liabilities - Current Portion (Note 6)	121,672.27
	<hr/>
Total Current Liabilities	810,318.01

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	940,967.59
	<hr/>
Total Noncurrent Liabilities	940,967.59
	<hr/>
Total Liabilities	1,751,285.60

**NET ASSETS**

Invested in Capital Assets	23,772,130.04
Restricted for:	
Expendable:	
Scholarships and Fellowships	207,742.09
Capital Projects	932,334.55
Restricted for Specific Programs	238,150.09
Other	305,006.20
Unrestricted	217,549.89
	<hr/>
Total Net Assets	\$ 25,672,912.86

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, 2010***

***Exhibit A-2***

**REVENUES**

Operating Revenues:	
Student Tuition and Fees, Net (Note 9)	\$ 1,247,542.95
Sales and Services	268,551.36
Other Operating Revenues	205,672.01
	<hr/>
Total Operating Revenues	1,721,766.32
	<hr/>

**EXPENSES**

Operating Expenses:	
Salaries and Benefits	17,745,738.54
Supplies and Materials	2,611,483.21
Services	2,372,809.77
Scholarships and Fellowships	7,297,206.13
Utilities	552,222.75
Depreciation/ Amortization	914,239.70
	<hr/>
Total Operating Expenses	31,493,700.10
	<hr/>
Operating Loss	(29,771,933.78)
	<hr/>

**NONOPERATING REVENUES**

State Aid	14,996,937.46
County Appropriations	1,900,000.00
Noncapital Grants - Federal Student Financial Aid	8,212,030.11
Noncapital Grants	2,935,399.48
Noncapital Gifts	191,658.67
Investment Income	6,359.21
	<hr/>
Nonoperating Revenues	28,242,384.93
	<hr/>
Loss Before Other Revenues	(1,529,548.85)
	<hr/>
State Capital Aid	1,154,290.45
County Capital Aid	438,000.00
Capital Grants	311,569.10
Capital Gifts	299,906.00
	<hr/>
Increase in Net Assets	674,216.70

**NET ASSETS**

Net Assets, July 1, 2009 as Restated (Note 17)	24,998,696.16
	<hr/>
Net Assets, June 30, 2010	\$ 25,672,912.86
	<hr/> <hr/>

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, 2010***

***Exhibit A-3***

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 1,567,498.55
Payments to Employees and Fringe Benefits	(17,684,098.98)
Payments to Vendors and Suppliers	(5,549,713.83)
Payments for Scholarships and Fellowships	(7,297,206.13)
Other Payments	(45,036.78)
	<hr/>
Net Cash Used by Operating Activities	(29,008,557.17)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	14,996,937.46
County Appropriations	1,900,000.00
Noncapital Grants - Federal Student Financial Aid	8,459,623.93
Noncapital Grants Received	3,025,494.54
Noncapital Gifts	191,658.67
	<hr/>
Cash Provided by Noncapital Financing Activities	28,573,714.60

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

State Capital Aid Received	1,441,564.00
County Capital Aid	438,000.00
Capital Grants Received	311,569.10
Capital Gifts Received	299,906.00
Acquisition and Construction of Capital Assets	(1,566,117.44)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	924,921.66

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	6,359.21
	<hr/>
Cash Provided by Investing Activities	6,359.21

Net Increase in Cash and Cash Equivalents	496,438.30
Cash and Cash Equivalents, July 1, 2009	1,274,142.39
	<hr/>
Cash and Cash Equivalents, June 30, 2010	\$ 1,770,580.69



***Robeson Community College  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2010***

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

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

Operating Loss	\$ (29,771,933.78)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	914,239.70
Changes in Assets and Liabilities:	
Receivables, Net	(164,109.31)
Inventories	(5,981.73)
Prepaid Items	(30,000.00)
Accounts Payable and Accrued Liabilities	70,849.54
Due to Primary Government	6,479.15
Unearned Revenue	9,841.54
Funds Held for Others	(45,036.78)
Compensated Absences	7,094.50
Net Cash Used by Operating Activities	<u><u>\$ (29,008,557.17)</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 1,190,405.52
Restricted Cash and Cash Equivalents	535,766.16
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>44,409.01</u>
Total Cash and Cash Equivalents - June 30, 2010	<u><u>\$ 1,770,580.69</u></u>

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

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**ROBESON COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**Blended Component Unit** - Although legally separate, Robeson Community College Services Corporation (Corporation) is reported as if it was part of the College. The Corporation is governed by a 12-member board consisting of 12 ex officio 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 elected 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 Services Office, 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, 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, regardless of the timing of the cash flows.

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange includes State appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- D. Cash and Cash Equivalents** - This classification includes 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, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**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 value of assets constructed includes all material direct and indirect construction costs.

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater. 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 method over the estimated useful lives of the assets, generally 10 to 50 years for general infrastructure, 50 years for buildings, 5 to 15 years for equipment, and 2 to 30 years for computer software.

**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 which will not be paid within the next fiscal year.

**J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 June 30 is retained by employees and transferred into the next fiscal year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because the College has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

**K. Net 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 - 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**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 \$1,402,538.74 and a bank balance of \$1,608,976.75.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, 2010, 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, 2010, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$367,541.95 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 1.6 years as of June 30, 2010. 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.osc.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2010, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 830,977.26	\$ 153,897.67	\$ 677,079.59
Intergovernmental	703,057.19		703,057.19
Other	723.89		723.89
<b>Total Current Receivables</b>	<b>\$ 1,534,758.34</b>	<b>\$ 153,897.67</b>	<b>\$ 1,380,860.67</b>

### NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2010, is presented as follows:

	Balance July 1, 2009 (as restated)	Increases	Decreases	Balance June 30, 2010
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 513,737.76	\$ 0.00	\$ 0.00	\$ 513,737.76
Construction in Progress	3,329,876.98	360,425.47	3,672,340.52	17,961.93
<b>Total Capital Assets, Nondepreciable</b>	<b>3,843,614.74</b>	<b>360,425.47</b>	<b>3,672,340.52</b>	<b>531,699.69</b>
Capital Assets, Depreciable:				
Buildings	21,041,135.94	3,672,340.52		24,713,476.46
Machinery and Equipment	4,103,134.20	787,502.96	53,935.88	4,836,701.28
General Infrastructure	3,353,258.11			3,353,258.11
Total Capital Assets, Depreciable	28,497,528.25	4,459,843.48	53,935.88	32,903,435.85
Less Accumulated Depreciation for:				
Buildings	5,930,071.30	457,846.92		6,387,918.22
Machinery and Equipment	2,001,553.74	351,876.02	53,935.88	2,299,493.88
General Infrastructure	871,076.64	104,516.76		975,593.40
Total Accumulated Depreciation	8,802,701.68	914,239.70	53,935.88	9,663,005.50
<b>Total Capital Assets, Depreciable, Net</b>	<b>19,694,826.57</b>	<b>3,545,603.78</b>	<b></b>	<b>23,240,430.35</b>
<b>Capital Assets, Net</b>	<b>\$ 23,538,441.31</b>	<b>\$ 3,906,029.25</b>	<b>\$ 3,672,340.52</b>	<b>\$ 23,772,130.04</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2010, were as follows:

	Amount
Accounts Payable	\$ 245,808.45
Accrued Payroll	216,392.28
Intergovernmental Payables	65,546.47
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 527,747.20</b>

### NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2010, is presented as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Compensated Absences	\$ 1,055,545.36	\$ 806,476.25	\$ 799,381.75	\$ 1,062,639.86	\$ 121,672.27

### NOTE 7 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for copiers. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2010:

Fiscal Year	Amount
2011	\$ 84,475.66
2012	75,221.52
2013	75,221.52
2014	75,221.52
Total Minimum Lease Payments	\$ 310,140.22

Rental expense for all operating leases during the year was \$100,696.07.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 8 - FUTURE RENTAL REVENUES

Future minimum lease revenue under non-cancelable 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, 2010 consist of the following:

Fiscal year	Amount
2011	\$ 20,410.00
2012	20,410.00
2013	20,410.00
2014	20,410.00
2015	20,410.00
2016-2018	61,230.00
Total Future Minimum Revenue	\$ 163,280.00

### NOTE 9 - REVENUES

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

	Gross Revenues	Scholarship Discounts	Allowance for Uncollectibles	Net Revenues
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees</b>	\$ 3,278,385.82	\$ 2,014,103.45	\$ 16,739.42	\$ 1,247,542.95

### NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 11,669,961.08	\$ 943,942.10	\$ 1,023,552.84	\$ 0.00	\$ 0.00	\$ 0.00	\$ 13,637,456.02
Academic Support	1,540,035.43	135,193.61	107,833.22				1,783,062.26
Student Services	1,434,621.24	127,857.02	129,673.81				1,692,152.07
Institutional Support	2,297,721.45	401,952.74	511,757.72				3,211,431.91
Operations and Maintenance of Plant	682,881.29	992,722.31	480,307.60		552,222.75		2,708,133.95
Student Financial Aid	120,518.05	2,758.64	24,404.52	7,297,206.13			7,444,887.34
Auxiliary Enterprises		7,056.79	95,280.06				102,336.85
Depreciation						914,239.70	914,239.70
Total Operating Expenses	\$ 17,745,738.54	\$ 2,611,483.21	\$ 2,372,809.77	\$ 7,297,206.13	\$ 552,222.75	\$ 914,239.70	\$ 31,493,700.10

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 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 is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units and local boards of education. The plan is administered by 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, 2010, these rates were set at 3.57% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$14,845,731.47, of which \$10,526,264.58 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$375,787.65 and \$631,575.87, respectively.

Required employer contribution rates for the years ended June 30, 2009, and 2008, were 3.36% and 3.05%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2010, 2009, and 2008, which were \$375,787.65, \$375,483.24, and \$333,133.20, 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.osc.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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carriers: Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF), Lincoln Life Insurance, 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 options and mutual funds.

Participants in the Program are immediately vested in the value of employee contributions. The value of the 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, 2010, 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 contributions.

For the year ended June 30, 2010, the College had a total payroll of \$14,845,731.47 of which \$149,145.96 was covered under the Optional Retirement Program. Total employee and employer contributions for pension benefits for the year were \$8,948.76 and \$10,201.58, respectively.

**B. Deferred Compensation and 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 \$207,115.00 for the year ended June 30, 2010.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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contributions by employees amounted to \$25,300.00 for the year ended June 30, 2010.

### 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. 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 *North Carolina General Statute 135-7* and Chapter 135, Article 3A, 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.

For the current fiscal year the College contributed 4.5% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund and the Optional Retirement Program for these health care benefits. Required contribution rates for the years ended June 30, 2009, and 2008, were 4.1% and 4.1%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2010, 2009, and 2008, which were \$480,393.47, \$464,319.15, and \$453,716.12, respectively. 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)

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Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "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. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2010, 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, 2009, and 2008, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2010, 2009, and 2008, which were \$55,512.00, \$58,889.26, and \$57,544.48, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

### NOTE 13 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Tort claims of up to \$1,000,000 are retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

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

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

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. The College is protected for losses from employee dishonesty and computer fraud for employees paid by county and institutional funds by contracts with private insurance companies.

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.

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a pension and other employee benefit trust fund of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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whose salaries or wages are paid by the Board entirely from county or institutional funds.

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

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

### **NOTE 14 - 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 \$66,983 and on other purchases were \$562.18 at June 30, 2010.

### **NOTE 15 - RELATED PARTIES**

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 support from the Foundation. This support approximated \$22,882.68 for the year ended June 30, 2010.

### **NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING**

For the fiscal year ended June 30, 2010, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

GASB Statement No. 51, requires reporting certain intangible assets as capital assets.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 17 - NET ASSET RESTATEMENT

As of July 1, 2009, net assets as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2009 Net Assets as Previously Reported	\$ 25,685,129.03
Restatement:	
Correct Error in Capitalization of Roofing Expense	<u>(686,432.87)</u>
July 1, 2009 Net Assets as Restated	<u><u>\$ 24,998,696.16</u></u>



Beth A. Wood, CPA  
State Auditor

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

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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, 2010, and have issued our report thereon dated April 29, 2011. Our report was modified to include a reference to another auditor.

As discussed in Note 16 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

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 Services Corporation as described in our report on the College's financial statements. The financial statements of Robeson Community College Services 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a

**INDEPENDENT AUDITOR'S REPORT  
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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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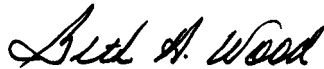
deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

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 General Assembly, and the State Controller, and is not intended to be and should not be used by anyone other than these specified parties.



Beth A. Wood, CPA  
State Auditor

April 29, 2011

## **ORDERING INFORMATION**

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Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://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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