



STATE OF NORTH CAROLINA

RANDOLPH COMMUNITY COLLEGE

ASHEBORO, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

A Component Unit of the State of North Carolina

RANDOLPH COMMUNITY COLLEGE

ASHEBORO, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

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THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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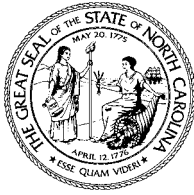
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Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
The General Assembly of North Carolina
Board of Trustees, Randolph Community College

We have completed a financial statement audit of Randolph Community College for the year ended June 30, 2012, 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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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Randolph Community College
Asheboro, North Carolina

We have audited the accompanying financial statements of Randolph Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Randolph Community College Foundation, Inc., the College's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for that entity, are based on the report of the other auditors.

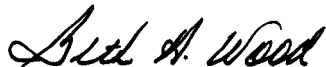
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Randolph Community College Foundation, Inc. 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 opinions.

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 respective financial position of Randolph Community College and its discretely presented component unit as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2013 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.

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



Beth A. Wood, CPA
State Auditor

February 11, 2013

RANDOLPH COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Randolph Community College's Annual Financial Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2012, and comparisons with June 30, 2011. College management has prepared this discussion, along with the financial statements and related notes to the financial statements. It should be read in conjunction with and is qualified in its entirety by the financial statements and notes to the financial statements. The financial statements, notes to the financial statements, and this discussion are the responsibility of College management.

Using the Annual Report/Overview of Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, and Governmental Accounting Standards Board Statement No. 39, determining whether certain organizations are component units. The financial statements presented focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole.

One of the most important questions asked about College finances is whether the College as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The College's net assets are one indicator of the College's financial health. Over time, increases or decreases in net assets indicate the improvement or challenges of the College's financial health when considered with nonfinancial facts such as enrollment levels and the need for additional programs.

The Statement of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies State and county appropriations and gifts as nonoperating revenues. Since fiscal year 2009, student financial aid is presented as nonoperating revenue. Public colleges' dependency on State and county aid and gifts usually results in an operating deficit under governmental accounting standards. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

information detailing the sources and uses of cash from both operating activities, financing activities, capital-related activities and investing activities.

Financial Highlights

The following are highlights of financial activity of Randolph Community College for fiscal year 2012:

- The assets of Randolph Community College exceeded its liabilities at June 30, 2012, by \$31,705,942.88 (net assets). Net assets increased by \$4,425,714.92 over the prior year of 2011. This increase is largely attributable to construction in progress and purchases of equipment.
- Operating revenues at June 30, 2012, decreased from June 30, 2011, by \$277,070.80.
- Nonoperating revenues at June 30, 2012, increased from June 30, 2011, by \$57,379.54.
- Operating expenses increased at June 30, 2012, by \$657,818.07 over fiscal year 2011.
- Capital assets of Randolph Community College increased \$4,656,213.51.

Financial Analysis of the College's Funds

Net Assets: This schedule is prepared from the College's Statement of Net Assets, which is presented on the accrual basis of accounting.

	Net Assets	
	As of June 30,	
	<u>2011</u>	<u>2012</u>
Current Assets	\$ 2,864,057.93	\$ 3,079,624.13
Noncurrent Assets		
Capital Assets, Net of Depreciation	23,453,027.10	28,109,240.61
Other	<u>2,357,378.03</u>	<u>2,844,685.15</u>
Total Assets	28,674,463.06	34,033,549.89
Current Liabilities	640,472.86	1,439,748.90
Noncurrent Liabilities	<u>753,762.24</u>	<u>887,858.11</u>
Total Liabilities	1,394,235.10	2,327,607.01
Net Assets		
Invested in Capital Assets	23,453,027.10	28,109,240.61
Restricted	2,797,472.81	2,351,545.41
Unrestricted	<u>1,029,728.05</u>	<u>1,245,156.86</u>
Total Net Assets	<u>\$ 27,280,227.96</u>	<u>\$ 31,705,942.88</u>

Total Net Assets at June 30, 2012, increased \$4,425,714.92 over the prior fiscal year 2011. A decrease in restricted net assets for capital projects is attributable to the completion of the Emergency Services Training Center classroom addition. Increases in invested in capital assets were attributable to the construction in progress on the Continuing Education and

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Industrial Center project. There were also several large purchases of equipment including computers for labs and equipment for curriculum programs including Automotive, Industrial Engineering, Electrical/Electronics, Machining and Welding. The College also purchased an ambulance for Emergency Services Training in the Continuing Education Program.

Liabilities: Randolph Community College's liabilities at June 30, 2012 are comprised of accounts payable and payroll accruals, unearned revenue, funds held for others and compensated absences for employee vacation and bonus leave. Current liabilities include accounts payable at June 30, 2012, in the amount of \$1,170,685.61 compared to \$333,270.71 at June 30, 2011. The increase of \$837,414.90 is mainly attributed to payables associated with Continuing Education and Industrial Center construction. The current portion of compensated absences for employee vacation and bonus leave decreased by \$83,145.75 due to changes in vacation usage levels. Unearned revenue, comprised of summer semester tuition that covers the portion of classes held after June 30, increased slightly by \$31,873.69.

Long term liabilities are comprised of compensated absences for employee vacation and bonus leave. The College's policy is to record the cost of vacation leave when it is earned. Total compensated absences at June 30, 2012 are \$948,769.71. The long term portion of compensated absences increased by \$134,095.87 from 2011 due to vacation usage levels in the prior year. The current portion of compensated absences is recorded as a current liability and the calculation of the current percentage is based on prior year vacation usage. The current portion for 2012 is \$60,911.60.

Revenues and Expenses: This schedule is prepared from the College's Statement of Revenues, Expenses, and Changes in Net Assets, which is presented on an accrual basis of accounting. State and local appropriations are not classified as operating revenue per GASB Statement No. 35; therefore the College will usually show a significant operating loss.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operation Results At June 30,

	2011	2012
Operating Revenue		
Student Tuition and Fees, Net	\$ 2,333,594.95	\$ 2,150,880.43
Sales and Services, Net	1,396,106.23	1,299,948.72
Other Operating Revenues	120,544.54	122,345.77
Total Operating Revenues	3,850,245.72	3,573,174.92
Operating Expenses		
Salaries and Benefits	15,127,457.23	15,411,841.07
Supplies and Materials	3,524,282.73	4,171,000.54
Services	1,542,892.05	1,809,131.29
Scholarships and Fellowships	4,335,740.52	3,826,168.80
Utilities	547,371.38	471,528.95
Depreciation	777,057.57	822,948.90
Total Operating Expenses	25,854,801.48	26,512,619.55
Operating Loss	(22,004,555.76)	(22,939,444.63)
Nonoperating Revenues		
State Aid	11,018,890.37	11,084,649.32
County Appropriations	2,312,508.74	2,276,403.11
Noncapital Grants - Student Financial Aid	6,654,359.06	6,758,224.86
Noncapital Grants	642,650.30	387,764.01
Other Nonoperating Revenues	333,282.94	512,029.65
Nonoperating Revenues	20,961,691.41	21,019,070.95
Loss Before Other Revenues	(1,042,864.35)	(1,920,373.68)
Other Revenues		
Capital Aid and Capital Grants	2,975,269.33	6,346,088.60
Increase in Net Assets	1,932,404.98	4,425,714.92
Net Assets, Beginning of Year	25,347,822.98	27,280,227.96
Net Assets, End of Year	\$ 27,280,227.96	\$ 31,705,942.88

Operating revenue decreased by \$277,070.80. Revenues from student tuition and fees decreased by \$182,714.52, despite a \$10.00 per credit hour tuition increase in 2011-2012, due to decreased curriculum enrollment. Sales and services also decreased \$96,157.51 from 2011 due to decreased demand resulting from decreased enrollment.

Operating expenses for fiscal year 2012 increased by \$657,818.07 over fiscal year 2011. Expenses in the area of employee compensation increased \$284,383.84, resulting in part from significant increases in employer contributions for health coverage and retirement. The

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

College also added two new programs during the fiscal year resulting in an increase in operating expenses. Supplies and materials purchases caused the largest increase, \$646,717.81, primarily due to purchases of minor equipment that did not meet the threshold for capitalization as machinery and equipment. Scholarships and fellowships decreased \$509,571.72 over the previous year. While total federal Pell grants and other forms of financial aid received remained relatively stable, the cost of attendance increased due in part to a \$10.00 per credit hour tuition increase. This increased the scholarship discount applied to this account.

Nonoperating revenue had a modest increase of \$57,379.54 in fiscal year 2012 over fiscal year 2011. State aid experienced a slight increase of \$65,758.95 in fiscal year 2012. The base allotment for institutional support increased slightly from fiscal year 2010-11 level because of the increase in employer contribution rates for hospitalization insurance and retirement. Total county appropriations remained stable; however there was a slight decrease of \$36,105.63 from the previous year as the College transferred some current appropriations to the county capital aid line caption for equipment purchases.

Other revenue is comprised mainly of State and county capital aid. Regular equipment allocations included in State aid provide funds for administrative and educational equipment and furniture. Colleges are permitted by the General Assembly to transfer equipment funds to State capital aid for capital improvements. State capital aid decreased by \$469,674.19 in fiscal year 2012, primarily due to fewer funds being transferred from State aid to State capital aid than in fiscal year 2011. County capital aid increased by \$3,953,140.33 due primarily to funding for construction of the Continuing Education and Industrial Center.

Randolph Community College's total revenue increased \$3,151,128.01 from \$27,787,206.46 in 2011 to \$30,938,334.47 in 2012. The increase is related to the changes in operating, nonoperating and other revenue as stated previously, and is primarily due to increased county capital funding through a ¼ cent sales tax referendum for the Continuing Education and Industrial Center's construction.

Capital Assets: Randolph Community College's investment in capital assets as of June 30, 2012 was \$28,109,240.61, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, infrastructure, equipment and vehicles. The total increase in Randolph Community College's investment in capital assets was \$4,656,213.51 net of depreciation. This increase was primarily due to the completion of the Emergency Services Training Center classroom addition, construction in progress for the Continuing Education and Industrial Center project and large equipment purchases. Outstanding commitments on construction contracts were \$2,618,475.80 at June 30, 2012. These commitments are attributable to the renovation project currently in progress of a furniture manufacturing facility for the Continuing Education and Industrial Center mentioned above.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Assets, Net As of June 30,

	<u>2011</u>	<u>2012</u>
Capital Assets		
Land	\$ 765,491.10	\$ 816,693.10
Art	-	10,000.00
Construction in Progress	409,361.56	4,466,920.48
Buildings	25,204,908.23	25,717,148.39
General Infrastructure	1,046,588.54	1,238,651.50
Machinery and Equipment	5,208,538.61	5,773,457.34
Total	32,634,888.04	38,022,870.81
Less Accumulated Depreciation	9,181,860.94	9,913,630.20
Capital Assets, Net	<u>\$ 23,453,027.10</u>	<u>\$ 28,109,240.61</u>

Economic and Other Factors Impacting Future Periods

The economic position of Randolph Community College is closely tied to that of the State of North Carolina. State aid and State capital aid for higher education comprise 41% percent of total revenues and are the largest source of funding for the College. North Carolina's Governor is mandated by State statute to balance the State's budget and has directed the Office of State Budget and Management to take the necessary steps to ensure this. For fiscal year 2012, community colleges were required to utilize a management flexibility reduction of 7.79% to the budget before submitting the 2-1 Budget document to the North Carolina Community College System Office. Due to lagging tuition receipts collections there was a 1% budget callback in December. For fiscal year 2013, community colleges were again required to utilize a management flexibility reduction of 7.9% of the formula budget allotment and recommended reserves of 2% for possible future reversions. Randolph Community College has been able to manage our funding well in spite of management flexibility and other reversions. We will continue to implement sound fiscal management.

While enrollment in curriculum programs decreased slightly over 2010-2011, the College has experienced record enrollment over the last three years. State aid for the 2012 fiscal year included funding based on record enrollment experienced in the previous academic year. This increased funding allowed for the hiring of additional faculty and staff to serve the record number of students enrolled. However, the general economic forecast for fiscal year 2013 continues to cause concern. Considering these factors, Randolph Community College has developed a comprehensive plan to proactively manage the budget. Therefore, the College has a conservative budget in place and will consider all purchases carefully. Randolph County, as a whole, continues to experience layoffs but has experienced some growth in industry. The College will be training new workers for these industries in the coming year. During fiscal year 2012 funding for GATE (Growing America through Entrepreneurship) programs at the College specifically targeted displaced workers to assist with starting a new business.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Randolph Community College is currently receiving tax revenue for the purpose of capital projects. The ¼ cent sales tax, voted into law in a referendum on March 2, 2010, went into effect on July 1, 2010 and the College receives funds on a reimbursement basis through the county. As mentioned above, funds are being utilized for the renovation of a furniture manufacturing facility to house the Continuing Education and Industrial Center. This project has significantly moved forward in fiscal year 2012, with completion expected in fiscal year 2013.

The biggest challenges facing the College are:

- The need for additional federal, State and local support;
- Meeting student needs for class offerings that will prepare them for the changing economic climate of Randolph County and North Carolina.
- Need for additional funding for equipment purchases;
- Need for additional funding for renovations of existing buildings and new buildings;
- Need for additional funding for new programs;
- Need for additional funding for high cost programs, for example, Health Occupations.

Requests for Information

This financial report is designed to provide a general overview of Randolph Community College's finances for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Randolph Community College, 629 Industrial Park Avenue, Asheboro, NC 27205.

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Randolph Community College
Statement of Net Assets
June 30, 2012

Exhibit A-1
Page 1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,490,969.67
Restricted Cash and Cash Equivalents	472,125.93
Receivables, Net (Note 3)	354,974.26
Due from State of North Carolina Component Units	7,788.92
Due from Community College Component Units	2,274.46
Inventories	751,490.89
	<hr/>
Total Current Assets	3,079,624.13

Noncurrent Assets:

Restricted Cash and Cash Equivalents	1,892,870.28
Receivables, Net (Note 3)	951,814.87
Capital Assets - Nondepreciable (Note 4)	5,293,613.58
Capital Assets - Depreciable, Net (Note 4)	22,815,627.03
	<hr/>
Total Noncurrent Assets	30,953,925.76

Total Assets

34,033,549.89

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	1,170,685.61
Unearned Revenue	166,602.40
Funds Held for Others	41,549.29
Long-Term Liabilities - Current Portion (Note 6)	60,911.60
	<hr/>
Total Current Liabilities	1,439,748.90

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	887,858.11
	<hr/>

Total Liabilities

2,327,607.01

NET ASSETS

Invested in Capital Assets 28,109,240.61

Restricted for:

Expendable:

Scholarships and Fellowships	1,764.09
Capital Projects	1,926,601.35
Restricted for Specific Programs	423,179.97

Unrestricted

1,245,156.86

Total Net Assets

\$ 31,705,942.88

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

***Randolph Community College
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2012***

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	\$ 2,150,880.43
Sales and Services, Net (Note 8)	1,299,948.72
Other Operating Revenues	122,345.77
	<hr/>
Total Operating Revenues	3,573,174.92
	<hr/>

EXPENSES

Operating Expenses:	
Salaries and Benefits	15,411,841.07
Supplies and Materials	4,171,000.54
Services	1,809,131.29
Scholarships and Fellowships	3,826,168.80
Utilities	471,528.95
Depreciation	822,948.90
	<hr/>
Total Operating Expenses	26,512,619.55
	<hr/>
Operating Loss	(22,939,444.63)
	<hr/>

NONOPERATING REVENUES

State Aid	11,084,649.32
County Appropriations	2,276,403.11
Noncapital Grants - Student Financial Aid	6,758,224.86
Noncapital Grants	387,764.01
Noncapital Gifts	454,120.62
Investment Income	18,868.46
Other Nonoperating Revenues	39,040.57
	<hr/>
Net Nonoperating Revenues	21,019,070.95
	<hr/>
Loss Before Other Revenues	(1,920,373.68)
	<hr/>
State Capital Aid	1,531,564.73
County Capital Aid	4,660,354.99
Capital Grants	154,168.88
	<hr/>
Increase in Net Assets	4,425,714.92

NET ASSETS

Net Assets, July 1, 2011	27,280,227.96
	<hr/>
Net Assets, June 30, 2012	\$ 31,705,942.88
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The accompanying notes to the financial statements are an integral part of this statement.

Randolph Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 3,583,082.28
Payments to Employees and Fringe Benefits	(15,443,173.10)
Payments to Vendors and Suppliers	(6,546,903.49)
Payments for Scholarships and Fellowships	(3,826,168.80)
Other Receipts	86,335.12
	<hr/>
Net Cash Used by Operating Activities	(22,146,827.99)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	11,084,649.32
County Appropriations	2,276,403.11
Noncapital Grants - Student Financial Aid	6,758,224.86
Noncapital Grants Received	379,975.09
Noncapital Gifts Received	460,790.94
	<hr/>
Cash Provided by Noncapital Financing Activities	20,960,043.32

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,531,564.73
County Capital Aid	3,708,540.12
Capital Grants Received	154,168.88
Acquisition and Construction of Capital Assets	(4,595,239.96)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	799,033.77

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	18,868.46
	<hr/>
Net Cash Provided by Investing Activities	18,868.46

Net Decrease in Cash and Cash Equivalents	(368,882.44)
Cash and Cash Equivalents, July 1, 2011	4,224,848.32
	<hr/>
Cash and Cash Equivalents, June 30, 2012	<u>\$ 3,855,965.88</u>

Randolph Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (22,939,444.63)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	822,948.90
Miscellaneous Nonoperating Income	73,201.92
Changes in Assets and Liabilities:	
Receivables, Net	(21,966.33)
Inventories	(96,855.96)
Accounts Payable and Accrued Liabilities	(80,668.90)
Unearned Revenue	31,873.69
Funds Held for Others	13,133.20
Compensated Absences	50,950.12
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (22,146,827.99)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 1,490,969.67
Restricted Cash and Cash Equivalents	472,125.93
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	1,892,870.28
	<hr/>
Total Cash and Cash Equivalents - June 30, 2012	<u><u>\$ 3,855,965.88</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 918,083.80
Increase in Receivables Related to Nonoperating Income	959,603.79
Loss on Disposal of Capital Assets	34,161.35

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

Randolph Community College Foundation, Inc.
Statement of Financial Position
June 30, 2012

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	526,692
Investments Held by Fiscal Agent		8,119,268
Accounts Receivable		2,290
Automobile		1,926
		<hr/>
Total Assets		8,650,176

LIABILITIES

Accounts Payable		2,497
		<hr/>
Total Liabilities		2,497

NET ASSETS

Unrestricted		1,083,144
Temporarily Restricted		4,037,474
Permanently Restricted		3,527,061
		<hr/>
Total Net Assets	\$	8,647,679

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

Randolph Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Exhibit B-2

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support:				
Contributions	\$ 0	\$ 480,807	\$ 15,890	\$ 496,697
Income Earned on Investments	38,607	273,422		312,029
Net Realized and Unrealized Gains on Investments	(29,142)	(206,779)		(235,921)
Net Assets Released from Restrictions				
Satisfaction of Program Restrictions	817,556	(817,556)		
Total Revenues, Gains and Other Support	<u>827,021</u>	<u>(270,106)</u>	<u>15,890</u>	<u>572,805</u>
Expenses:				
Contributions to Randolph Community College for:				
Scholarships	232,571			232,571
Support of Various College Programs	472,617			472,617
Grants	61,760			61,760
Special Projects	34,449			34,449
Management and General	52,252			52,252
Total Expenses	<u>853,649</u>			<u>853,649</u>
Change in Net Assets	(26,628)	(270,106)	15,890	(280,844)
Net Assets - Beginning of Year	<u>1,109,772</u>	<u>4,307,580</u>	<u>3,511,171</u>	<u>8,928,523</u>
Net Assets - End of Year	<u>\$ 1,083,144</u>	<u>\$ 4,037,474</u>	<u>\$ 3,527,061</u>	<u>\$ 8,647,679</u>

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

RANDOLPH COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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. Randolph Community College is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. The discretely presented component unit's financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

Discretely Presented Component Unit – Randolph Community College Foundation, Inc. is a legally separate not-for-profit corporation and is reported as discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 23 directors, six of which serve by virtue of their position with the College or Board of Trustees. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Randolph Community College Foundation, Inc. is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2012, the Foundation distributed \$801,397.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Joyce Wolford, Executive Director of the Randolph Community College Foundation, Inc., at (336) 633-0295.

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

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

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 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, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- D. Cash and Cash Equivalents** - This classification includes petty cash, cash on deposit with private bank accounts, and deposits held by the State

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.
- F. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using last invoice cost method. Merchandise for resale is valued using the Courseworks/Booklog Point of Sale (POS) System. Cost of goods is input into the system using the invoice for these goods. The software keeps a running total (average) for inventory valuation.
- 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. Interest costs incurred are capitalized during the period of construction.

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 to 50 years for general infrastructure, 50 years for buildings, and 5 to 40 years for equipment.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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. Internal Sales Activities - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as campus food, campus store, and print shop. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The College is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute 115D-58.7*. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling \$4,200.00, and deposits in private financial institutions with a carrying value of \$1,612,059.36 and a bank balance of \$1,748,884.29.

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, 2012, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6 (d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity of custodian.

At June 30, 2012, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$2,239,706.52 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 1.5 years as of June 30, 2012. 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 "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2012, is as follows:

Cash on Hand	\$	4,200.00
Carrying Amount of Deposits with Private Financial Institutions		1,612,059.36
Investments in the Short-Term Investment Fund		<u>2,239,706.52</u>
Total Deposits and Investments	\$	<u><u>3,855,965.88</u></u>
Current:		
Cash and Cash Equivalents	\$	1,490,969.67
Restricted Cash and Cash Equivalents		472,125.93
Noncurrent:		
Restricted Cash and Cash Equivalents		<u>1,892,870.28</u>
Total	\$	<u><u>3,855,965.88</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Component Unit - Investments of the College's discretely presented component unit, Randolph Community College Foundation, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

	Gross Cost	Fair Value	Carrying Value
Cash and Cash Equivalents	\$ 1,330,390	\$ 1,400,615	\$ 1,400,615
Fixed Income Funds	2,638,864	2,816,888	2,816,888
Equity Mutual Funds	3,655,418	3,901,765	3,901,765
Total Investments Held by Fiscal Agent	\$ 7,624,672	\$ 8,119,268	\$ 8,119,268

NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 389,556.01	\$ 173,544.88	\$ 216,011.13
Student Sponsors	11,888.19		11,888.19
Accounts	122,612.11		122,612.11
Other	4,462.83		4,462.83
Total Current Receivables	\$ 528,519.14	\$ 173,544.88	\$ 354,974.26
Noncurrent Receivables:			
Intergovernmental	\$ 951,814.87	\$ 0.00	\$ 951,814.87

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2012, is presented as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital Assets, Nondepreciable:				
Land	\$ 765,491.10	\$ 51,202.00	\$ 0.00	\$ 816,693.10
Art, Literature, and Artifacts		10,000.00		10,000.00
Construction in Progress	409,361.56	4,123,758.10	66,199.18	4,466,920.48
Total Capital Assets, Nondepreciable	1,174,852.66	4,184,960.10	66,199.18	5,293,613.58
Capital Assets, Depreciable:				
Buildings	25,204,908.23	512,267.10	26.94	25,717,148.39
Machinery and Equipment	5,208,538.61	690,232.78	125,314.05	5,773,457.34
General Infrastructure	1,046,588.54	192,062.96		1,238,651.50
Total Capital Assets, Depreciable	31,460,035.38	1,394,562.84	125,340.99	32,729,257.23
Less Accumulated Depreciation for:				
Buildings	7,283,362.35	510,960.90		7,794,323.25
Machinery and Equipment	1,658,119.69	285,625.64	91,179.64	1,852,565.69
General Infrastructure	240,378.90	26,362.36		266,741.26
Total Accumulated Depreciation	9,181,860.94	822,948.90	91,179.64	9,913,630.20
Total Capital Assets, Depreciable, Net	22,278,174.44	571,613.94	34,161.35	22,815,627.03
Capital Assets, Net	\$ 23,453,027.10	\$ 4,756,574.04	\$ 100,360.53	\$ 28,109,240.61

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2012, were as follows:

	Amount
Accounts Payable	\$ 1,008,810.84
Accrued Payroll	161,874.77
Total Accounts Payable and Accrued Liabilities	\$ 1,170,685.61

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2012, is presented as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Compensated Absences	\$ 897,819.59	\$ 558,813.22	\$ 507,863.10	\$ 948,769.71	\$ 60,911.60

NOTE 7 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for property, rental, copiers and a mailing system. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2012:

Fiscal Year	Amount
2013	\$ 166,343.02
2014	112,328.08
2015	103,971.15
2016	14,461.79
2017	2,302.70
Total Minimum Lease Payments	\$ 399,406.74

Rental expense for all operating leases during the year was \$166,226.70.

NOTE 8 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Change In Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 4,295,184.77	\$ 0.00	\$ 2,088,005.77	\$ 56,298.57	\$ 2,150,880.43
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Dining	\$ 266,225.52	\$ 8,360.54	\$ 0.00	\$ 0.00	\$ 257,864.98
Recreation Services	16,090.88				16,090.88
Bookstore	1,931,111.95		942,742.25		988,369.70
Cosmetology	34,182.11				34,182.11
Sales and Services of Education and Related Activities	3,441.05				3,441.05
Total Sales and Services	\$ 2,251,051.51	\$ 8,360.54	\$ 942,742.25	\$ 0.00	\$ 1,299,948.72

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 9,219,490.14	\$ 2,095,583.93	\$ 401,040.85	\$ 935.00	\$ 0.00	\$ 0.00	\$ 11,717,049.92
Public Service	31,536.67	2,000.73	924.82				34,462.22
Academic Support	1,246,435.34	53,269.15	31,634.58				1,331,339.07
Student Services	1,040,028.38	22,427.51	92,463.04	28,064.00			1,182,982.93
Institutional Support	2,627,747.89	213,162.00	594,062.06	1,417.53			3,436,389.48
Operations and Maintenance of Plant	894,654.15	136,928.74	629,525.35		471,528.95		2,132,637.19
Student Financial Aid				3,795,752.27			3,795,752.27
Auxiliary Enterprises	351,948.50	1,647,628.48	59,480.59				2,059,057.57
Depreciation						822,948.90	822,948.90
Total Operating Expenses	\$ 15,411,841.07	\$ 4,171,000.54	\$ 1,809,131.29	\$ 3,826,168.80	\$ 471,528.95	\$ 822,948.90	\$ 26,512,619.55

NOTE 10 - PENSION PLANS

A. Retirement Plans - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (Plan) 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, 2012, these rates were set at 7.44% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$12,217,507.35, of which \$9,426,297.43 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$701,316.53 and \$565,577.85, respectively.

Required employer contribution rates for the years ended June 30, 2011, and 2010, were 4.93% and 3.57%, respectively, while employee contributions were 6% each year. The College made 100% of its annual

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

required contributions for the years ended June 30, 2012, 2011, and 2010, which were \$701,316.53, \$471,223.68, and \$301,024.35, 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 "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

B. Deferred Compensation and Supplemental Retirement Income Plans

Internal Revenue Code 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 \$144,536.24 for the year ended June 30, 2012.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Benefits** - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. 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 the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees as authorized by Chapter 135, Article 3B, of the General Statutes. 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees.

For the current fiscal year the College contributed 5.0% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2011, and 2010, were 4.9% and 4.5%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2012, 2011, and 2010, which were \$471,314.87, \$468,356.19, and \$379,442.76, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- B. Disability Income** - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of 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, 2012, 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, 2011, and 2010, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2012, 2011, and 2010, which were \$49,016.75, \$49,703.11, and \$43,846.68, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE 12 - RISK MANAGEMENT

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

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

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 County and Institutional funds paid employees by a policy with a local insurance company with coverage of \$100,000 per occurrence with a \$500 deductible (Blanket Bond).

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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

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

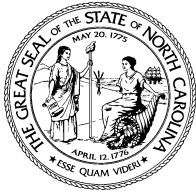
Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

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 13 - COMMITMENTS AND CONTINGENCIES

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 \$2,618,475.80 at June 30, 2012.

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Beth A. Wood, CPA
State Auditor

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

Board of Trustees
Randolph Community College
Asheboro, North Carolina

We have audited the financial statements of Randolph Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements and have issued our report thereon dated February 11, 2013. Our report was modified to include a reference to other auditors.

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

Internal Control Over Financial Reporting

The College's management is responsible for establishing and maintaining effective 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 opinions 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
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
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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

February 11, 2013

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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