



# STATE OF NORTH CAROLINA

**RICHMOND COMMUNITY COLLEGE**

**HAMLET, 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

**RICHMOND COMMUNITY COLLEGE**

**HAMLET, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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**BOARD OF TRUSTEES**

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

We have completed a financial statement audit of Richmond 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**

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Board of Trustees  
Richmond Community College  
Hamlet, North Carolina

We have audited the accompanying financial statements of Richmond 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 Richmond 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 Richmond Community College Foundation, Inc., 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 Richmond 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 Richmond 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)

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 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 26, 2013

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

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This section of Richmond Community College's financial statements presents management's discussion and analysis of the College's financial activity during the fiscal year ended June 30, 2012, with comparative data for the fiscal year ending June 30, 2011. This management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts, and should be read in conjunction with the College's basic financial statements and the Notes to the Financial Statements.

### **Overview of the Financial Statements**

The College's financial statements consist of three primary statements. The Statement of Net Assets, when compared with the prior year, indicates how effectively the College has managed its overall assets in comparison to its liabilities, with the difference in the two being the College's net assets. Changes in current assets may measure, among other things, cash management, collections of accounts receivable, or fluctuations in inventories. Changes in noncurrent assets indicate improvements in buildings, equipment inventory, and depreciation, while the College's liabilities are primarily comprised of accrued employee vacation. The Statement of Revenues, Expenses, and Changes in Net Assets helps the reader understand the financial resources available to the College, how those resources were used, and how those expenses affected the net assets. The Statement of Cash Flows reflects to the reader the College's position in cash, overall liquidity, and financial stability and continuity. The Notes to the Financial Statements included in the statements should be referenced in order to provide detailed explanation of particular elements and activities. Through a summarized comparison of the fiscal year 2010-11 financial statements and those from the fiscal year 2011-12, the reader may gain a contextual understanding of the College's overall financial position.

### **Using the Annual Financial Report**

The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the Statement of Net Assets is designed to be a snapshot of the financial condition at a point in time. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on both the gross and net costs of College activities, which are supported mainly by State funds, county appropriations and other revenues. The financial statements summarize and simplify the user's analysis of the cost of various College services to students and the public.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Summarized Comparative Financial Analysis

Condensed Statement of Net Assets  
Fiscal Years Ended June 30, 2012 and June 30, 2011

	<u>FY 2011-12</u>	<u>FY 2010-11</u>	<u>Increase (Decrease)</u>
Current Assets	\$ 2,507,345.19	\$ 2,193,835.31	\$ 313,509.88
Noncurrent Assets	230,681.03	33,692.30	196,988.73
Capital Assets, Net	<u>21,494,522.30</u>	<u>22,293,315.21</u>	<u>(798,792.91)</u>
<b>Total Assets</b>	<u>24,232,548.52</u>	<u>24,520,842.82</u>	<u>(288,294.30)</u>
Current Liabilities	874,723.27	873,481.91	1,241.36
Noncurrent Liabilities	<u>593,809.45</u>	<u>605,522.22</u>	<u>(11,712.77)</u>
<b>Total Liabilities</b>	<u>1,468,532.72</u>	<u>1,479,004.13</u>	<u>(10,471.41)</u>
Net Assets:			
Invested in Capital Assets	21,494,522.30	22,293,315.21	(798,792.91)
Restricted	555,509.11	350,840.63	204,668.48
Unrestricted	<u>713,984.39</u>	<u>397,682.85</u>	<u>316,301.54</u>
<b>Total Net Assets</b>	<u>\$ 22,764,015.80</u>	<u>\$ 23,041,838.69</u>	<u>\$ (277,822.89)</u>

### Analysis of Assets, Liabilities, and Net Assets

The College's total assets decreased \$288,294.30 or 1.17%, due to a significant decrease in net capital assets. The decrease in net capital assets is predominantly due to the divestiture of buildings. After accepting the Diane F. Honeycutt Center in 2011, the College transferred the Speller and Sanford Buildings to Scotland County Government as they were no longer needed. A substantial increase was seen in noncurrent assets due to \$210,000.00 in State funding to support an upcoming construction project on the Forte Building, which is also attributed to the increase in restricted net assets. Unrestricted net assets continued to increase primarily due to an increase in self-supporting enrollment. Total liabilities remained consistent with prior years, only showing a slight decline.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Condensed Statement of Revenues, Expenses, and Changes in Net Assets Fiscal Years Ended June 30, 2012 and June 30, 2011

	FY 2011-12	FY 2010-11	Increase (Decrease)
<b>Operating Revenues:</b>			
Student Tuition and Fees, Net	\$ 1,106,375.92	\$ 964,696.93	\$ 141,678.99
Other Operating Revenues	493,177.63	448,696.20	44,481.43
<b>Total Operating Revenues</b>	<b>1,599,553.55</b>	<b>1,413,393.13</b>	<b>186,160.42</b>
<b>Nonoperating Revenues (Expenses):</b>			
State Aid	9,768,748.78	10,284,524.93	(515,776.15)
County Appropriations	1,777,276.00	1,644,768.00	132,508.00
Noncapital Grants	8,330,451.53	8,053,442.69	277,008.84
Other Nonoperating Revenues	79,133.80		79,133.80
Loss on Disposal of Building	(345,087.22)	282,896.74	(627,983.96)
<b>Total Nonoperating Revenues</b>	<b>19,610,522.89</b>	<b>20,265,632.36</b>	<b>(655,109.47)</b>
<b>Capital Contributions:</b>			
State Capital Aid	765,703.15	562,908.31	202,794.84
Capital Gifts	-	2,941,505.66	(2,941,505.66)
Capital Grants	76,660.00	368,011.93	(291,351.93)
<b>Total Capital Contributions</b>	<b>842,363.15</b>	<b>3,872,425.90</b>	<b>(3,030,062.75)</b>
<b>Total Revenues</b>	<b>22,052,439.59</b>	<b>25,551,451.39</b>	<b>(3,499,011.80)</b>
<b>Operating Expenses:</b>			
Salaries and Benefits	13,536,368.46	12,853,470.68	682,897.78
Supplies and Materials	1,122,836.75	1,650,865.67	(528,028.92)
Services	1,342,738.77	1,447,677.41	(104,938.64)
Scholarships and Fellowships	5,231,340.83	5,248,328.35	(16,987.52)
Utilities	378,949.58	411,642.35	(32,692.77)
Depreciation	718,028.09	745,589.18	(27,561.09)
<b>Total Operating Expenses</b>	<b>22,330,262.48</b>	<b>22,357,573.64</b>	<b>(27,311.16)</b>
<b>Change in Net Assets</b>	<b>\$ (277,822.89)</b>	<b>\$ 3,193,877.75</b>	<b>\$ (3,471,700.64)</b>

### Analysis of Statement of Revenues, Expenses, and Changes in Net Assets

The College's operating revenues increased by \$186,160.42 or 13.17% in 2012. This was due to a 13.9% increase in Fall 2011 enrollment, a \$2.50/hour increase in tuition rate, as well as increases in bookstore revenues and State Grants. Nonoperating revenues decreased by 3.2% due to decreases in State Aid and the loss incurred on the disposal of both the Speller and Sanford buildings. Capital Contributions decreased due to the receipt of the Honeycutt Center in 2010-11. Total Operating Expenses remained relatively unchanged with only a .12% decline. An increase of \$682,897.78 in salaries and benefits was primarily offset by a decrease of \$528,028.92 in supplies and materials, reflecting the College's response to a large increase in enrollment by hiring additional faculty and staff to offer more classes and services.

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

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### **Expectations for Richmond Community College's Financial Position in 2012-2013**

The stagnant state budget will continue to present challenges for the College to support major increases in enrollment. The Community Colleges are funded for their growth in arrears, which presents a challenge to maintain adequate budget to support an increase in classes and their associated expenses. We have seen our enrollment begin to stabilize, with smaller increases projected for the 2012-13 year, and now begin to more accurately focus on our program offerings in an attempt to maintain the enrollment and provide training in fields that can immediately put our students to work. Unemployment has not decreased as quickly as expected, resulting in flat state revenues, while continuing an increased demand for college services.

The North Carolina Community College System has once again had to utilize management flexibility cuts to balance the State allocations awarded to it, which has caused over \$1,000,000.00 in earned funding to be unbudgeted for Richmond Community College. Despite these reductions, RCC once again weathered the budget cuts more favorably than many other educational units due to our record enrollment and growth over the past several years. Early enrollment numbers for 2012-13 have RCC once again predicting a slight enrollment growth.

The June 2012 unemployment rate for Richmond and Scotland Counties are 13.0% and 17.7% respectively. The College has begun to see a shift in our enrollment increases as they steer away from the traditional tie to increased unemployment. While unemployment levels have remained relatively constant from last year, we have continued to grow. The College attributes this to an increase in recent high school graduates choosing to attend here versus other area Colleges. The College continues to strive to efficiently schedule our facilities to accommodate this growth and to utilize our space in Scotland County to satisfy the increase in demand for classes there.

There are no outstanding legal issues or potential lawsuits facing the College. The College has hired one new Vice-President this past year and has begun the renovation and addition to one building, with construction scheduled to begin January 2013. This increase in space will help our College have room for future growth.

***Richmond Community College***  
***Statement of Net Assets***  
***June 30, 2012***

***Exhibit A-1***  
***Page 1 of 2***

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 1,883,362.06
Restricted Cash and Cash Equivalents	340,464.86
Receivables, Net (Note 3)	192,886.52
Due From Component Unit	26,985.63
Inventories	63,646.12

Total Current Assets 2,507,345.19

Noncurrent Assets:

Restricted Cash and Cash Equivalents	20,681.03
Restricted Due from Primary Government	210,000.00
Capital Assets - Nondepreciable (Note 4)	657,423.81
Capital Assets - Depreciable, Net (Note 4)	20,837,098.49

Total Noncurrent Assets 21,725,203.33

Total Assets 24,232,548.52

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	612,425.25
Due to State of North Carolina Component Units	524.13
Unearned Revenue	119,838.41
Funds Held for Others	10,525.77
Long-Term Liabilities - Current Portion (Note 6)	131,409.71

Total Current Liabilities 874,723.27

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	593,809.45
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Total Noncurrent Liabilities 593,809.45

Total Liabilities 1,468,532.72

***Richmond Community College***  
***Statement of Net Assets***  
***June 30, 2012***

***Exhibit A-1***  
***Page 2 of 2***

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**NET ASSETS**

Invested in Capital Assets	21,494,522.30
Restricted for:	
Expendable:	
Scholarships and Fellowships	372.16
Capital Projects	210,000.00
RCC Nursing Support Funds	254,555.40
Restricted for Specific Programs	78,771.72
Other	11,809.83
Unrestricted	<u>713,984.39</u>
Total Net Assets	<u><u>\$ 22,764,015.80</u></u>

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

**Richmond 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)	\$ 1,106,375.92
State and Local Grants and Contracts	116,777.24
Sales and Services	314,325.95
Other Operating Revenues	62,074.44
	<hr/>
Total Operating Revenues	1,599,553.55

**EXPENSES**

Operating Expenses:	
Salaries and Benefits	13,536,368.46
Supplies and Materials	1,122,836.75
Services	1,342,738.77
Scholarships and Fellowships	5,231,340.83
Utilities	378,949.58
Depreciation	718,028.09
	<hr/>
Total Operating Expenses	22,330,262.48
	<hr/>
Operating Loss	(20,730,708.93)

**NONOPERATING REVENUES (EXPENSES)**

State Aid	9,768,748.78
County Appropriations	1,777,276.00
Noncapital Grants - Student Financial Aid	8,330,451.53
Noncapital Gifts	158,250.48
Investment Income	5,384.58
Other Nonoperating Revenues	6,118.53
Capital Asset Impairment Loss (Note 5)	(90,619.79)
Loss on Disposal of Building (Note 5)	(345,087.22)
	<hr/>
Net Nonoperating Revenues	19,610,522.89
	<hr/>
Income Before Other Revenues	(1,120,186.04)
	<hr/>
State Capital Aid	765,703.15
Capital Grants	76,660.00
	<hr/>
Decrease in Net Assets	(277,822.89)

**NET ASSETS**

Net Assets, July 1, 2011	<hr/> 23,041,838.69
Net Assets, June 30, 2012	<hr/> <hr/> \$ 22,764,015.80

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

***Richmond 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	\$ 1,550,118.34
Payments to Employees and Fringe Benefits	(13,539,351.75)
Payments to Vendors and Suppliers	(2,876,395.89)
Payments for Scholarships and Fellowships	(5,231,340.83)
Other Payments	(24,819.77)
	<hr/>
Net Cash Used by Operating Activities	(20,121,789.90)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	9,768,748.78
County Appropriations	1,777,276.00
Noncapital Grants - Student Financial Aid	8,330,451.53
Noncapital Gifts	158,250.48
	<hr/>
Net Cash Provided by Noncapital Financing Activities	20,034,726.79

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

State Capital Aid Received	558,808.84
Capital Grants Received	113,307.16
Acquisition and Construction of Capital Assets	(360,657.70)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	311,458.30

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	5,384.58
	<hr/>
Net Cash Provided by Investing Activities	5,384.58

Net Increase in Cash and Cash Equivalents	229,779.77
Cash and Cash Equivalents, July 1, 2011	2,014,728.18
	<hr/>
Cash and Cash Equivalents, June 30, 2012	\$ 2,244,507.95

***Richmond 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	\$ (20,730,708.93)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	718,028.09
Miscellaneous Nonoperating Income	11,834.04
Changes in Assets and Liabilities:	
Receivables, Net	(67,416.58)
Inventories	(43,055.11)
Accounts Payable and Accrued Liabilities	37,661.31
Due to State of North Carolina Component Units	524.13
Unearned Revenue	17,981.37
Funds Held for Others	(36,653.81)
Compensated Absences	(29,984.41)
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (20,121,789.90)</u></u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 1,883,362.06
Restricted Cash and Cash Equivalents	340,464.86
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	20,681.03
	<hr/>
Total Cash and Cash Equivalents - June 30, 2012	<u><u>\$ 2,244,507.95</u></u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Increase in Receivables Related to Nonoperating Income	233,879.94
Capital Asset Write-Offs	350,802.73
Capital Asset Impairment Loss	90,619.79

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

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

***Exhibit B-1***

	<b>Totals</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 477,734
Investments	908,817
Accounts Receivable:	
Net Unconditional promises to give	48,173
Other	1,762
Total Current Assets	<u>1,436,486</u>
<b>ENDOWMENT INVESTMENTS</b>	1,478,352
<b>PROPERTY AND EQUIPMENT, net</b>	396
<b>OTHER ASSETS</b>	
Long-term net unconditional promises to give	379,050
Cash value of life insurance	60,203
Total Other Assets	<u>439,253</u>
Total Assets	<u>3,354,487</u>
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued liabilities	<u>26,986</u>
<b>NET ASSETS</b>	
Unrestricted	37,848
Temporarily Restricted	1,811,301
Permanently Restricted	1,478,352
Total Assets	<u>\$ 3,327,501</u>

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



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

**Exhibit B-2**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 27,596	\$ 154,883	\$ 24,281	\$ 206,760
Special Event	925			925
Interest Income	37	795		832
Investment Loss	3	(50,079)		(50,076)
Miscellaneous	971			971
Total Support and Revenue	29,532	105,599	24,281	159,412
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Restrictions satisfied by payments	181,900	(181,900)		
Total Support and Revenue and Reclassifications	211,432	(76,301)	24,281	159,412
<b>EXPENSES</b>				
Program Services	195,616			195,616
Supporting Services	18,882			18,882
Total Expenses	214,498			214,498
<b>TRANSFERS</b>				
	(4,006)	3,292	714	
Change in Net Assets	(7,072)	(73,009)	24,995	(55,086)
<b>NET ASSETS, beginning of year</b>	44,920	1,884,310	1,453,357	3,382,587
<b>NET ASSETS, end of year</b>	<u>\$ 37,848</u>	<u>\$ 1,811,301</u>	<u>\$ 1,478,352</u>	<u>\$ 3,327,501</u>

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

**RICHMOND COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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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. Richmond 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 is reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

**Discretely Presented Component Unit** - Richmond Community College Foundation, Inc. is a legally separate not-for-profit corporation and is reported as a 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 39 directors and is not controlled by College employees or trustees. No College employee or trustee serves as an officer of the Foundation. 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 Richmond 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 revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$128,139.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Richmond Community College, P.O. Box 1189, Hamlet, NC 28345.

- 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 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- E. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies, are valued at cost 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 to 75 years for general infrastructure, 25 to 75 years for buildings, and 5 to 40 years for equipment.

- H. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources whose use is limited by external parties or statute.
- 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 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 December 31 plus the leave earned, less the leave taken between January 1 and June 30.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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

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 \$1,025.00, and deposits in private financial institutions with a carrying value of \$1,626,226.59 and a bank balance of \$1,818,847.74.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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.

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.

At June 30, 2012, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$617,256.36 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.

**Component Unit** - Investments of the College's discretely presented component unit, Richmond 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 Richmond Community Foundation, Inc.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

reports under the FASB reporting model, disclosures of the various investment risks are not required.

Investments are presented in the financial statements of Richmond Community College Foundation, Inc. at their fair values. Investments are composed of the following:

	Quoted Prices in Active Markets for Identical Assets (Level 1)			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Investments held by				
Wells Fargo Advisors	\$ 13,407	\$ 895,410	\$ 1,478,352	\$ 2,387,169

Wells Fargo Advisors holds funds for various nonprofit organizations. Specifically for Richmond Community College Foundation, Inc. as of June 30, 2012, the above were invested in equity funds and bond funds. These investments potentially subject Richmond Community College Foundation, Inc. to a concentration of market risk.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 407,886.52	\$ 215,000.00	\$ 192,886.52



## 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	\$ 407,679.00	\$ 0.00	\$ 0.00	\$ 407,679.00
Art, Literature, and Artifacts	8,500.00			8,500.00
Construction in Progress	331,864.60		90,619.79	241,244.81
<b>Total Capital Assets, Nondepreciable</b>	<u>748,043.60</u>	<u>0.00</u>	<u>90,619.79</u>	<u>657,423.81</u>
Capital Assets, Depreciable:				
Buildings	26,259,336.13		445,112.00	25,814,224.13
Machinery and Equipment	2,434,052.67	360,657.70	5,715.51	2,788,994.86
General Infrastructure	549,573.51			549,573.51
<b>Total Capital Assets, Depreciable</b>	<u>29,242,962.31</u>	<u>360,657.70</u>	<u>450,827.51</u>	<u>29,152,792.50</u>
Less Accumulated Depreciation for:				
Buildings	6,628,133.91	550,858.43	100,024.78	7,078,967.56
Machinery and Equipment	920,862.25	156,921.94		1,077,784.19
General Infrastructure	148,694.54	10,247.72		158,942.26
<b>Total Accumulated Depreciation</b>	<u>7,697,690.70</u>	<u>718,028.09</u>	<u>100,024.78</u>	<u>8,315,694.01</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>21,545,271.61</u>	<u>(357,370.39)</u>	<u>350,802.73</u>	<u>20,837,098.49</u>
<b>Capital Assets, Net</b>	<u>\$ 22,293,315.21</u>	<u>\$ (357,370.39)</u>	<u>\$ 441,422.52</u>	<u>\$ 21,494,522.30</u>

The Statement of Revenues, Expenses, and Changes in Net Assets contains a nonoperating expense related to a capital asset impairment loss of \$90,619.79. This impairment was caused by the termination of plans for a construction project.

The Statement of Revenues, Expenses, and Changes in Net Assets also contains a nonoperating expense related to a \$345,087.22 loss of disposal of capital assets. The Speller and Sanford Buildings were transferred to Scotland County. These buildings were located in the City of Laurinburg (Scotland County) and with the acceptance of the Diane F. Honeycutt Center in 2011, the College had no further need for the buildings.

### NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 82,820.82
Accrued Payroll	529,604.43
<b>Total Accounts Payable and Accrued Liabilities</b>	<u>\$ 612,425.25</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**NOTE 6 - LONG-TERM LIABILITIES**

**Changes in 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	\$ 755,203.57	\$ 501,617.27	\$ 531,601.68	\$ 725,219.16	\$ 131,409.71

**NOTE 7 - LEASE OBLIGATIONS**

**Operating Lease Obligations** - The College entered into operating leases for copier equipment. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2012:

Fiscal Year	Amount
2013	\$ 17,139.78
2014	\$ 9,998.24
<b>Total Minimum Lease Payments</b>	<b>\$ 27,138.02</b>

Rental expense for all operating leases during the year was \$17,139.78.

**NOTE 8 - REVENUES**

A summary of eliminations and change in allowance by revenue classification is presented as follows:

	Gross Revenues	Less Scholarship Discounts	Less Change in Allowance for Uncollectibles	Net Revenues
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees</b>	\$ 3,775,324.12	\$ 2,648,948.20	\$ 20,000.00	\$ 1,106,375.92

## 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	\$ 8,008,677.64	\$ 384,828.32	\$ 200,100.59	\$ 0.00	\$ 0.00	\$ 0.00	\$ 8,593,606.55
Public Service	38,903.80		450.00				39,353.80
Academic Support	1,709,192.68	177,704.52	205,367.83				2,092,265.03
Student Services	1,034,912.80	35,844.00	65,859.40				1,136,616.20
Institutional Support	2,192,342.31	290,588.96	615,223.82				3,098,155.09
Operations and Maintenance of Plant	550,902.07	225,684.27	203,477.46		378,949.58		1,359,013.38
Student Financial Aid				5,231,340.83			5,231,340.83
Auxiliary Enterprises	1,437.16	8,186.68	52,259.67				61,883.51
Depreciation						718,028.09	718,028.09
<b>Total Operating Expenses</b>	<b>\$ 13,536,368.46</b>	<b>\$ 1,122,836.75</b>	<b>\$ 1,342,738.77</b>	<b>\$ 5,231,340.83</b>	<b>\$ 378,949.58</b>	<b>\$ 718,028.09</b>	<b>\$ 22,330,262.48</b>

### 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 \$10,703,108.30, of which \$9,151,191.23 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$680,848.63 and \$549,071.47, 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 required contributions for the years ended June 30, 2012, 2011, and 2010, which were \$680,848.63, \$436,760.56, and \$303,220.48, respectively.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 Plan**

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. The voluntary contributions by employees amounted to \$262,412.00 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 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$457,559.57, \$434,102.78, and \$382,210.68, 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 \$47,586.20, \$46,068.05, and \$44,166.57, 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*.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 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. The 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 from employees paid from county or institutional funds by contract with private insurance.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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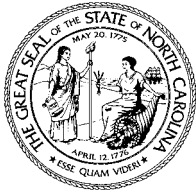
The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from state funds. The College purchases workers' compensation insurance for employees whose salaries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

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Beth A. Wood, CPA  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the 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  
Richmond Community College  
Hamlet, North Carolina

We have audited the financial statements of Richmond 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 26, 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 the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of 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 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.

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

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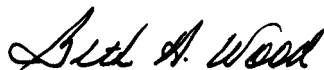
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination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

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 26, 2013

## 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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Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647

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This audit required 427.5 audit hours at an approximate cost of \$30,780. The cost represents .12% of the College's total assets and .13% of total expenses subjected to audit