

STATE OF NORTH CAROLINA

ROBESON COMMUNITY COLLEGE

LUMBERTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

ROBESON COMMUNITY COLLEGE

LUMBERTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2012

STATE BOARD OF COMMUNITY COLLEGES

THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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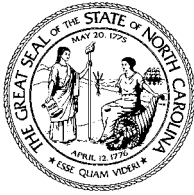
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DR. CHARLES CHRESTMAN, PRESIDENT

TAMI B. GEORGE, VICE PRESIDENT FOR BUSINESS SERVICES

STATE OF NORTH CAROLINA

Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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Raleigh, NC 27699-0601
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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Robeson Community College for the year ended June 30, 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.

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

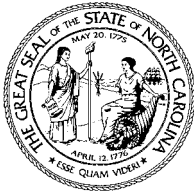
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

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
Robeson Community College
Lumberton, North Carolina

We have audited the accompanying financial statements of Robeson 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 Robeson Community College Services Corporation, which represent less than 1 percent of the assets, net assets, and revenues of the College; nor the financial statements of Robeson Community College Foundation, Inc., the College's discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based on the reports 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. 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 reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Robeson 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 April 5, 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

April 5, 2013

ROBESON COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Robeson Community College's financial statements presents management's discussion and analysis of the College's financial activity during the fiscal year ending June 30, 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. Please read it in conjunction with the College's basic financial statements and the notes to the financial statements.

Using This Annual Report

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

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

Institutional Assets

The assets of the College are divided between current and noncurrent assets. Current assets include cash and cash equivalents, receivables, and inventories. Noncurrent assets include cash and cash equivalents, receivables due from the State for construction projects, and capital assets (land, construction in progress, buildings, general infrastructure, and equipment). Net accounts receivable increased approximately 80.1% due primarily to an increase in intergovernmental receivables. The Trade Adjustment Assistance Community College and Career Training Grant caused an increase in intergovernmental receivables in the amount of \$813,118.25 at year end. This three-year grant was awarded September 2011 for \$18,835,604 by the United States Department of Labor to the College and its nine partners. This grant is designed to develop a North Carolina Advance Manufacturing Alliance and focuses on developing programs between community colleges and businesses that contain a pathway to good advanced manufacturing jobs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Condensed Statement of Net Assets

	June 30, 2012	June 30, 2011 (as restated)	Change	% Change
ASSETS				
Current Assets:	\$ 3,168,393.91	\$ 2,840,667.70	\$ 327,726.21	11.54%
Noncurrent Assets:				
Capital Assets, Net of Depreciation	23,737,691.88	24,350,280.28	(612,588.40)	-2.52%
Other Noncurrent Assets	1,102,067.16	194,698.67	907,368.49	466.04%
Total Assets	28,008,152.95	27,385,646.65	622,506.30	2.27%
LIABILITIES				
Current Liabilities:	1,744,933.78	743,700.73	1,001,233.05	134.63%
Noncurrent Liabilities	707,567.31	872,607.66	(165,040.35)	-18.91%
Total Liabilities	2,452,501.09	1,616,308.39	836,192.70	51.73%
NET ASSETS				
Invested in Capital Assets	23,737,691.88	24,350,280.28	(612,588.40)	-2.52%
Restricted	1,878,588.20	1,287,091.02	591,497.18	45.96%
Unrestricted	(60,628.22)	131,966.96	(192,595.18)	-145.94%
Total Net Assets	\$ 25,555,651.86	\$ 25,769,338.26	\$ (213,686.40)	-0.83%

The College's capital assets are stated at their purchase price or, in the case of donations, assigned a fair market value when they are accepted. The College records purchases as a capital asset when the purchase price is more than \$5,000.00 at the date of purchase and the asset has a useful life of more than one year. Capital assets net of depreciation decreased by \$612,588.40 due to depreciation expense as well as a decline in spending.

Other noncurrent assets increased \$907,368.49 or 466.04% from FY11 to FY12. The majority of the increase results from the amount due from the North Carolina Community College System for Special Construction Delegation. Projects approved by the State Board of Community Colleges include renovation of office space for the College and career readiness administrative staff, renovations of the culinary lab, fence and lighting additions to the Basic Law Enforcement Training Program's fitness track, and the renovation of instruction space in the continuing education building at ComTech for the barbering program.

Institutional Liabilities

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities that extend beyond one year. Accounts payable and accrued liabilities include amounts due to vendors and accrued payroll. Accrued payroll increased by \$171,695.66. In fiscal year 2011, the College paid the June part-time payroll in June but due to timing differences in fiscal year 2012, it was paid in July causing the payroll accruals to increase. Due to State of North Carolina component units increased by \$725,231.69. This increase represents amounts due to partner colleges at year end relative to the Trade Adjustment Assistance Community College and Career Training Grant. Long-term liabilities include the portion of accrued employee annual leave that will not be paid within the next

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

fiscal year, calculated at the current salary rates for each employee, consistent with the institution's leave policies. Long-term liabilities (current portion) increased 39.96% as a result of increases in the total compensated absences liability and the liquidation percentage. The liquidation percentage increased from 15.71% in the prior year to 24.34%, causing the current portion to be \$227,626.07. This increase was a result of vacation and bonus leave payouts of thirty-two employees. In July 2011, the Board of Trustees made a decision to contract out custodial services and grounds maintenance resulting in the termination of 10 employees. The number of employees that were paid out this year was a 113.33% increase from the prior year. The total liability in dollars for the years ending June 30, 2012 and 2011 was \$935,193.38 and \$1,035,244.59, respectively. In addition, unearned revenue increased by \$139,774.32 due in large part to the increase in tuition costs from prior year and the increase in the number of classes offered by curriculum during the summer semester of 2012.

Net Assets

Net Assets are a measure of the value of all the College's assets after liabilities and depreciation are deducted. The College's net assets decreased by \$213,686.40, or .83%, from the prior year. The increase in restricted net assets was primarily due to the \$561,635 increase in restricted due from primary government for state capital funds that have been allotted but not yet received by the College. The decrease in unrestricted net assets was primarily due to the combined effect of decreases in tuition revenues and state appropriations.

Revenues

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

The largest operating revenue in the amount of \$1,051,891.82 accrues from student tuition and fees. Student tuition, though identified as revenue, is remitted back to the State Treasurer and is not netted against the College's state aid identified as nonoperating revenue. The State mandated an increase in the in-state and out-of-state tuition rates of \$10.00 per credit hour.

Nonoperating revenues comprise the major portion of the College's income and include formula allocations from the North Carolina State Board of Community Colleges for current expense, equipment, and capital improvements, as well as funds appropriated from the Robeson County Board of Commissioners. The county appropriations originally allotted to the College for FY12 were 6.8%, or \$130,000, less than in FY11. To combat rising energy costs the College requested supplemental funding in the amount of \$300,000 and it was approved in May 2012. The decrease in other nonoperating revenues is due to insurance proceeds in the amount of \$310,958.17 that were received by the College in the prior year for seven damaged roofs caused by a tornado.

Noncapital grants and gifts increased by 78.45% due to approximately \$2.42 million in revenues received for the Trade Adjustment Assistance Community College and Career

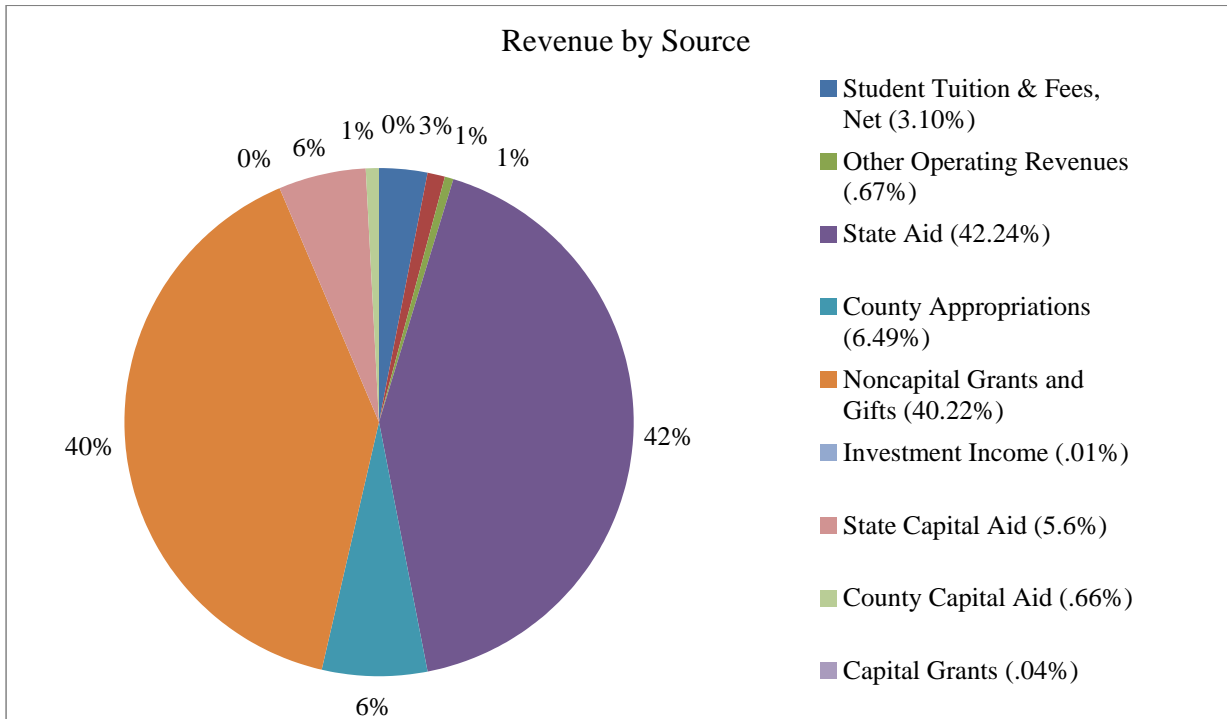
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Training Grant during the year. Amounts received by the College and passed through to the partner colleges (\$2,123,610.15) are separately presented below as nonoperating expenses.

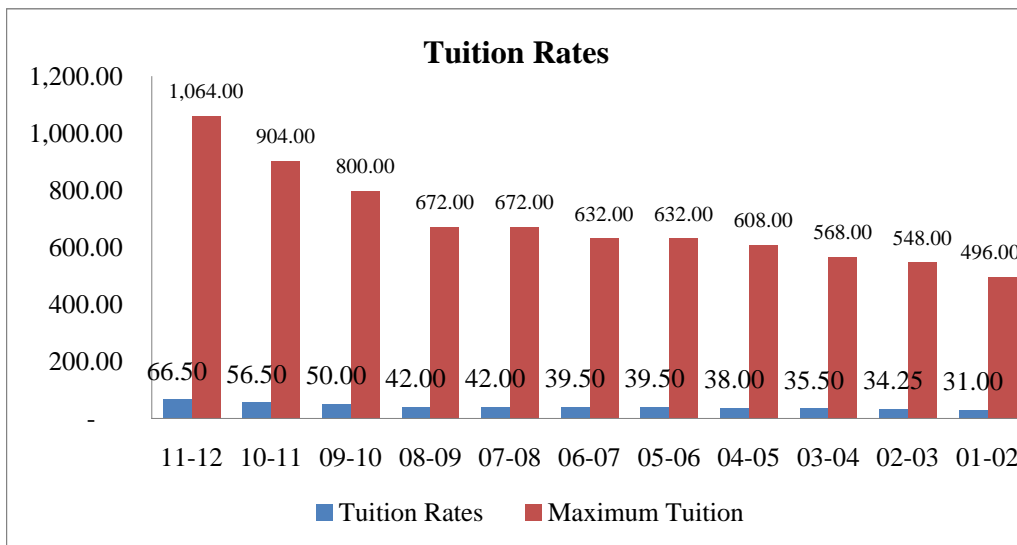
Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011 (As Restated)</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues:				
Student Tuition and Fees, Net	\$ 1,051,891.82	\$ 1,241,024.69	\$ (189,132.87)	-15.24%
Sales and Services and Other Revenues	561,075.20	548,395.45	12,679.75	2.31%
Total Operating Revenues	<u>1,612,967.02</u>	<u>1,789,420.14</u>	<u>(176,453.12)</u>	-9.86%
Operating Expenses:				
Salaries and Benefits	17,040,687.74	18,577,013.80	(1,536,326.06)	-8.27%
Supplies and Materials	3,186,862.39	2,580,552.88	606,309.51	23.50%
Services	3,473,742.67	2,751,114.95	722,627.72	26.27%
Scholarships and Fellowships	6,689,073.82	7,472,369.04	(783,295.22)	-10.48%
Utilities	575,890.38	517,413.30	58,477.08	11.30%
Depreciation	1,048,234.92	1,086,830.84	(38,595.92)	-3.55%
Total Operating Expenses	<u>32,014,491.92</u>	<u>32,985,294.81</u>	<u>(970,802.89)</u>	-2.94%
Nonoperating Revenues (Expenses):				
State Aid	14,328,623.57	15,478,950.32	(1,150,326.75)	-7.43%
County Appropriations	2,200,000.00	2,030,000.00	170,000.00	8.37%
Noncapital Grants - Student Financial Aid	9,266,224.02	9,243,574.71	22,649.31	0.25%
Noncapital Grants and Gifts	4,376,614.11	2,452,549.02	1,924,065.09	78.45%
Investment Income	3,157.38	4,912.03	(1,754.65)	-35.72%
Federal Pass-Through Grant Expenses	(2,123,610.15)		(2,123,610.15)	
Other Nonoperating Revenues		310,958.17	(310,958.17)	-100.00%
Total Nonoperating Revenues (Net)	<u>28,051,008.93</u>	<u>29,520,944.25</u>	<u>(1,469,935.32)</u>	-4.98%
Other Revenues:				
Capital Aid and Capital Grants	<u>2,136,829.57</u>	<u>2,029,167.08</u>	<u>107,662.49</u>	5.31%
Increase (Decrease) in Net Assets	<u>\$ (213,686.40)</u>	<u>\$ 354,236.66</u>	<u>\$ (567,923.06)</u>	-160.32%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



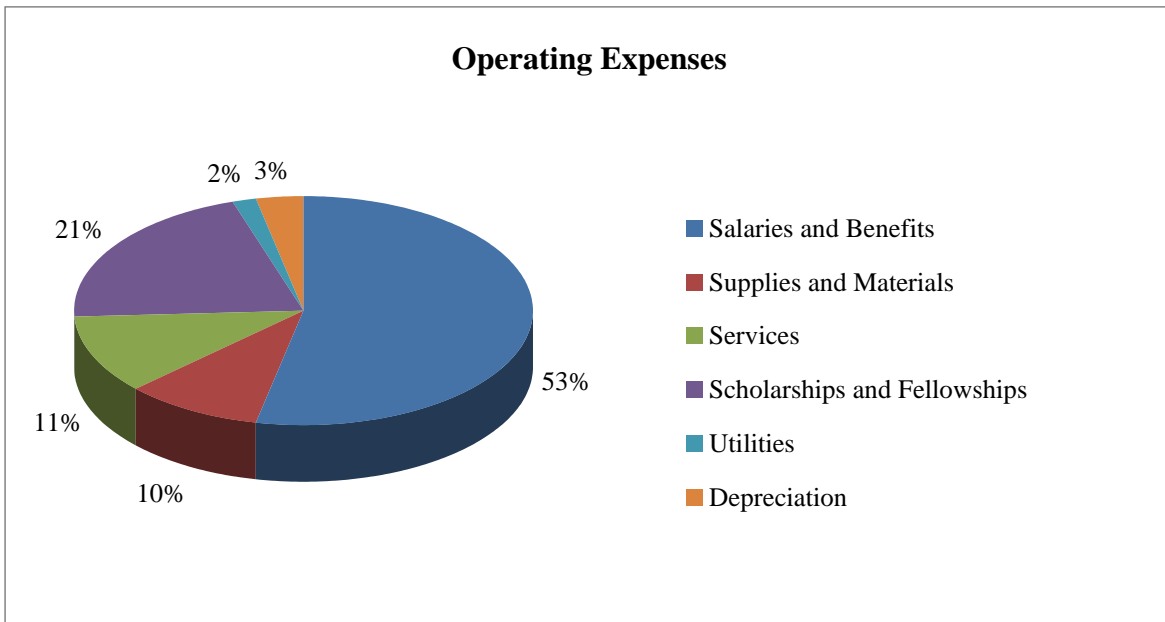
The state tuition rates for in-state and out-of-state students increased for fiscal year ending 2012 to \$66.50 and \$258.50 per credit hour, respectively. Tuition rates have increased 114.52% over the last 10 years.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits identified as salaries and benefits. Support cost, scholarships, and depreciation make up the balance of direct cost. Salaries and benefits decreased approximately 8.27% over the prior year. As previously mentioned the College had an increase in retirees, employees that resigned, and the termination of custodial and grounds maintenance employees causing salaries to be less than the prior year. Services increased 26.27% this year as a result of contracting out custodial and grounds maintenance functions. Supplies and materials increased 23.50% primarily due to increased equipment purchased with the Department of Labor grant funding. Scholarships and fellowships decreased 10.48% due to the Department of Education eliminating the supplemental summer award effective July 1, 2011.



Capital Contributions

State capital aid was received through appropriations from the North Carolina State Board of Community Colleges under a formula allocation for educational equipment and instructional resources. The North Carolina State Board of Community Colleges also provided construction funds as part of the North Carolina 2000 Higher Education Bond Referendum and previous legislative action providing funds for renovations and repairs. Robeson County provides capital aid for maintenance, equipment, motor vehicles, and small construction items. There were no significant variances in capital aid from the prior year.

Capital Assets

Robeson Community College's investment in capital assets, net of accumulated depreciation, as of June 30, 2012, amounted to \$23,737,691.88. This investment in capital assets includes

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

construction in progress, machinery and equipment, vehicles, land, buildings, and general infrastructure. There were no significant changes in capital assets from the prior period.

Economic Factors Impacting Future Periods

Amid concerns for rising textbook costs, increased tuition costs, and several other factors, the College's full-time equivalents (FTE) has decreased slightly from 3,918 in 2011 to 3,854 in 2012. The College's budgeted FTE remained relatively stable, in that changes in legislation resulted in the institution losing some FTE related to prison education. In working with the Department of Corrections, the College has the opportunity to offer additional prison education classes in the 2012-13 academic year. The College's Long Range Strategic Plan has identified facilities and programs designed for changing employment needs in the region which will likely increase enrollment and modernize and expand its complement of facilities with a balance of new construction for the next bond issue.

In addition, the state of the economy which is reflected by unemployment rates in Robeson and surrounding counties has a direct relationship to enrollment. The following information reflects the unemployment rates in Robeson County.

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
January	14.00%	12.70%	13.30%	11.20%	7.30%
February	13.40%	12.40%	13.50%	12.00%	7.30%
March	12.80%	12.20%	13.00%	11.60%	7.00%
April	12.60%	12.10%	12.40%	11.70%	6.60%
May	12.90%	12.30%	12.50%	12.10%	7.30%
June	13.90%	13.20%	12.70%	12.60%	7.90%
July	13.90%	13.40%	13.10%	12.70%	8.70%
August	13.60%	14.60%	12.40%	12.50%	8.50%
September	12.40%	14.20%	11.60%	11.90%	8.20%
October	12.10%	14.10%	11.80%	12.10%	8.50%

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

<u>Fiscal Year</u>	<u>Fall</u>	<u>Spring</u>
2011-2012	8,028	7,659
2010-2011	8,184	7,734
2009-2010	7,854	8,515
2008-2009	7,681	8,175
2007-2008	7,943	7,900
2006-2007	7,653	8,794
2005-2006	7,689	8,244
2004-2005	8,084	8,153

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

The College takes every opportunity to acquire alternative funding. Grants awarded during 2012 included:

- NASA Grant (\$135,570)
- Workforce Investment Act – Out of School Youth Program (\$305,587)
- RCC Student Support Services (\$238,378)
- Robeson County Partnership for Children – Professional Development (\$73,570) & Educational Award (\$296,500)
- GATE (\$6,408)
- Campus Alliance for Native American Student Achievement (\$178,514)
- National Science Foundation (\$59,250)
- Nourishing North Carolina Program (3,000)
- Trade Adjustment Assistance Community College and Career Training (\$18,835,604 awarded over 3-year period)

A crucial element to the College's future will continue to be our relationship with the State of North Carolina and the North Carolina General Assembly as we work to maintain revenue sufficient to provide an outstanding college education for our students. There is a direct relationship between the growth of state support and the College's ability to provide services. However, Robeson Community College will continue to respond to the community's needs by providing services and education to the population of Robeson County to the extent resources will allow.

Robeson Community College
Statement of Net Assets
June 30, 2012

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,173,024.11
Restricted Cash and Cash Equivalents	183,611.46
Receivables, Net (Note 3)	1,659,165.49
Due from State of North Carolina Component Units	100,000.00
Inventories	52,592.85
	<hr/>
Total Current Assets	3,168,393.91

Noncurrent Assets:

Restricted Cash and Cash Equivalents	389,447.85
Restricted Due from Primary Government	712,619.31
Capital Assets - Nondepreciable (Note 4)	632,000.84
Capital Assets - Depreciable, Net (Note 4)	23,105,691.04
	<hr/>
Total Noncurrent Assets	24,839,759.04

Total Assets	<hr/> <hr/> 28,008,152.95
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	591,596.81
Due to Primary Government	2,955.17
Due to State of North Carolina Component Units	725,231.69
Unearned Revenue	197,524.04
Long-Term Liabilities - Current Portion (Note 6)	227,626.07
	<hr/>
Total Current Liabilities	1,744,933.78

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	<hr/> 707,567.31
Total Noncurrent Liabilities	<hr/> 707,567.31

Total Liabilities	<hr/> <hr/> 2,452,501.09
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NET ASSETS

Invested in Capital Assets	23,737,691.88
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Restricted for:

Expendable:

Scholarships and Fellowships	361,350.38
Capital Projects	1,061,507.37
Restricted for Specific Programs	100,000.00
Other	355,730.45

Unrestricted	<hr/> (60,628.22)
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Total Net Assets	<hr/> <hr/> <hr/> \$ 25,555,651.86
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The accompanying notes to the financial statements are an integral part of this statement.

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

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 9)	\$ 1,051,891.82
Sales and Services	332,238.79
Other Operating Revenues	228,836.41
	<hr/>
Total Operating Revenues	1,612,967.02
	<hr/>

EXPENSES

Operating Expenses:	
Salaries and Benefits	17,040,687.74
Supplies and Materials	3,186,862.39
Services	3,473,742.67
Scholarships and Fellowships	6,689,073.82
Utilities	575,890.38
Depreciation	1,048,234.92
	<hr/>
Total Operating Expenses	32,014,491.92
	<hr/>
Operating Loss	(30,401,524.90)
	<hr/>

NONOPERATING REVENUES (EXPENSES)

State Aid	14,328,623.57
County Appropriations	2,200,000.00
Noncapital Grants - Student Financial Aid	9,266,224.02
Noncapital Grants	4,311,169.98
Noncapital Gifts	65,444.13
Investment Income	3,157.38
Federal Pass-through Grant Expenses	(2,123,610.15)
	<hr/>
Net Nonoperating Revenues	28,051,008.93
	<hr/>
Income Before Other Revenues	(2,350,515.97)
	<hr/>
State Capital Aid	1,899,339.08
County Capital Aid	225,000.00
Capital Grants	12,490.49
	<hr/>
Decrease in Net Assets	(213,686.40)
	<hr/>

NET ASSETS

Net Assets, July 1, 2011 as Restated (Note 15)	25,769,338.26
	<hr/>
Net Assets, June 30, 2012	\$ 25,555,651.86
	<hr/> <hr/>

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

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

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 1,665,687.14
Payments to Employees and Fringe Benefits	(16,969,043.29)
Payments to Vendors and Suppliers	(7,262,780.44)
Payments for Scholarships and Fellowships	(6,689,073.82)
Other Payments	(94,914.15)
	<hr/>
Net Cash Used by Operating Activities	(29,350,124.56)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	14,328,623.57
County Appropriations	2,200,000.00
Noncapital Grants - Student Financial Aid	9,341,189.98
Noncapital Grants Received	3,655,327.51
Noncapital Gifts	65,444.13
Federal Pass-through Grant Expenses	(1,398,378.46)
William D. Ford Direct Lending Receipts	3,532,132.00
William D. Ford Direct Lending Disbursements	(3,532,132.00)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	28,192,206.73

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,337,704.08
County Capital Aid	225,000.00
Capital Grants Received	12,490.49
Proceeds from Sale of Capital Assets	64,602.65
Acquisition and Construction of Capital Assets	(489,462.10)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	1,150,335.12

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	<hr/> 3,157.38
Net Decrease in Cash and Cash Equivalents	(4,425.33)
Cash and Cash Equivalents, July 1, 2011	<hr/> 1,750,508.75
Cash and Cash Equivalents, June 30, 2012	<hr/> <hr/> \$ 1,746,083.42

***Robeson 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	\$ (30,401,524.90)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,048,234.92
Changes in Assets and Liabilities:	
Receivables, Net	(87,054.20)
Inventories	(9,954.32)
Accounts Payable and Accrued Liabilities	156,195.53
Due to Primary Government	(830.55)
Unearned Revenue	139,774.32
Funds Held for Others	(94,914.15)
Compensated Absences	(100,051.21)
Net Cash Used by Operating Activities	<u>\$ (29,350,124.56)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 1,173,024.11
Restricted Cash and Cash Equivalents	183,611.46
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>389,447.85</u>
Total Cash and Cash Equivalents - June 30, 2012	<u>\$ 1,746,083.42</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 28,263.07
Increase in Receivables Related to Nonoperating Income	954,844.05
Loss on Disposal of Capital Assets	64,602.65

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

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

Exhibit B-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	150,791
Investments - Current		88,962
Total Current Assets		<u>239,753</u>

Noncurrent Assets:

Investments - Long-term		<u>1,278,782</u>
Total Noncurrent Assets		<u>1,278,782</u>

Total Assets	\$	<u><u>1,518,535</u></u>
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NET ASSETS

Restricted for:

Expendable:		
Scholarships	\$	121,983
Restricted for Specific Programs		29,633
Endowments		1,156,799
Unrestricted		<u>210,120</u>

Total Net Assets	\$	<u><u>1,518,535</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

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

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

Operating Revenues and Gains:	
Contributions	\$ 41,462
Investment Income	21
	<hr/>
Total Unrestricted Revenues and Gains	41,483
	<hr/>
Net Assets Released from Restrictions	
Satisfaction of Program Restrictions	54,602
	<hr/>
Total Net Assets Released from Restrictions	54,602
	<hr/>
Total Unrestricted Revenues, Gains, and Other Support	96,085
	<hr/>
Expenses:	
Contracted Services	5,000
Fundraising Expenses	275
Grant and Project Related Expenditures	15,770
General and Administrative	12,696
	<hr/>
Total Expenses	33,741
	<hr/>
Increase in Unrestricted Net Assets	62,344
	<hr/>

CHANGES IN RESTRICTED NET ASSETS

Operating Revenues and Gains:	
Contributions	60,183
Scholarships	11,600
Endowments	96,744
Investment Loss	(11,123)
	<hr/>
Total Restricted Revenues and Gains	157,404
	<hr/>
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	(54,602)
	<hr/>
Total Net Assets Released from Restrictions	(54,602)
	<hr/>
Expenses:	
Scholarships	58,711
Grant and Project Related Expenditures	54,896
	<hr/>
Total Expenses	113,607
	<hr/>
Decrease in Restricted Net Assets	(10,805)
	<hr/>
Increase in Net Assets	51,539
Net Assets at Beginning of Year	1,466,996
	<hr/>
Net Assets at End of Year	\$ 1,518,535
	<hr/> <hr/>

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

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

The accompanying financial statements present all funds of the College and its component units for which the College's Board of Trustees is financially accountable. The College's component units are either blended or discretely presented in the College's financial statements. The blended component unit, although legally separate, is, in substance, part of the College's operations and therefore, is reported as if it were part of the College. The discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Discretely Presented Component Unit - Robeson Community College Foundation, Inc. (Foundation) 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 29 members. 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 Robeson 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 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 \$52,582.50 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Robeson Community College Business Services Office, Post Office Box 1420 Lumberton, NC 28359, or by calling (910) 272-3541.

- 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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

- F. Inventories** - Inventories, consisting of expendable supplies, are valued at the lower of cost or market using the first-in, first-out method.

- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The 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 10 to 50 years for general

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

infrastructure, 40 to 50 years for buildings, and 3 to 15 years for equipment.

- H. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.
- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences which will not be paid within the next fiscal year.
- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each 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 fiscal year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

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

Invested in Capital Assets - This represents the College's total investment in capital assets.

Restricted Net Assets - Expendable - Expendable restricted net assets include resources for which the College is legally or contractually

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

obligated to spend in accordance with restrictions imposed by external parties.

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

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

- L. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

- A. **Deposits** - 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 \$500.00, and deposits in private financial institutions with a carrying value of \$1,386,769.34 and a bank balance of \$2,149,109.54.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 of custodian.

At June 30, 2012, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$358,814.08 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.

- B. Investments of Component Units** - Investments of the College's discretely presented component unit, the Robeson Community College Foundation, Inc., (Foundation) 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,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

disclosures of the various investment risks are not required. Investments of the Foundation as of June 30, 2012, are summarized as follows:

Investment Type	Cost	Fair Value	Carrying Value
Current - Unrestricted	\$ 80,872	\$ 88,962	\$ 88,962
Noncurrent -Restricted	1,248,667	1,278,782	1,278,782
Total	\$ 1,329,539	\$ 1,367,744	\$ 1,367,744

NOTE 3 - RECEIVABLES

Receivables at June 30, 2012, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 904,042.12	\$ 137,584.54	\$ 766,457.58
Student Sponsors	49,156.22		49,156.22
Intergovernmental	843,551.69		843,551.69
Total Current Receivables	\$ 1,796,750.03	\$ 137,584.54	\$ 1,659,165.49

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 and Permanent Easements	\$ 513,737.76	\$ 0.00	\$ 0.00	\$ 513,737.76
Construction in Progress	90,000.00	28,263.08		118,263.08
Total Capital Assets, Nondepreciable	603,737.76	28,263.08		632,000.84
Capital Assets, Depreciable:				
Buildings	25,007,055.95			25,007,055.95
Machinery and Equipment	5,952,718.88	471,986.09	150,030.22	6,274,674.75
General Infrastructure	3,429,828.11			3,429,828.11
Total Capital Assets, Depreciable	34,389,602.94	471,986.09	150,030.22	34,711,558.81
Less Accumulated Depreciation for:				
Buildings	6,974,786.41	537,165.36		7,511,951.77
Machinery and Equipment	2,587,441.25	405,618.48	85,427.57	2,907,632.16
General Infrastructure	1,080,832.76	105,451.08		1,186,283.84
Total Accumulated Depreciation	10,643,060.42	1,048,234.92	85,427.57	11,605,867.77
Total Capital Assets, Depreciable, Net	23,746,542.52	(576,248.83)	64,602.65	23,105,691.04
Capital Assets, Net	\$ 24,350,280.28	\$ (547,985.75)	\$ 64,602.65	\$ 23,737,691.88

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 173,558.88
Accrued Payroll	417,835.34
Contract Retainage	202.59
Total Accounts Payable and Accrued Liabilities	\$ 591,596.81

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	\$ 1,035,244.59	\$ 765,783.64	\$ 865,834.85	\$ 935,193.38	\$ 227,626.07

NOTE 7 - OPERATING LEASE OBLIGATIONS

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

Fiscal Year	Amount
2013	\$ 92,196.36
2014	84,552.84
2015	42,276.42
Total Minimum Lease Payments	\$ 219,025.62

Rental expense for all operating leases during the year was \$95,014.66.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - FUTURE RENTAL REVENUES

Future minimum lease revenue under non-cancelable leases related to wireless broadband services are recorded when earned. Minimum future revenues under non-cancelable agreements treated as operating leases as of June 30, 2012 consist of the following:

<u>Fiscal Year</u>	<u>Amount</u>
2013	\$ 20,410.00
2014	20,410.00
2015	20,410.00
2016	20,410.00
2017	20,410.00
2018	20,410.00
Total Future Minimum Revenue	\$ 122,460.00

NOTE 9 - REVENUES

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

	<u>Gross Revenues</u>	<u>Less Scholarship Discounts</u>	<u>Change in Allowance for Uncollectibles</u>	<u>Net Revenues</u>
Operating Revenues:				
Student Tuition and Fees	<u>\$ 4,067,087.82</u>	<u>\$ 3,007,722.89</u>	<u>\$ (7,473.11)</u>	<u>\$ 1,051,891.82</u>

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	<u>Salaries and Benefits</u>	<u>Supplies and Materials</u>	<u>Services</u>	<u>Scholarships and Fellowships</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 11,325,860.95	\$ 1,212,225.10	\$ 927,818.92	\$ 0.00	\$ 0.00	\$ 0.00	\$ 13,465,904.97
Academic Support	1,550,292.49	72,709.00	227,665.86				1,850,667.35
Student Services	1,607,293.65	30,202.94	101,159.04				1,738,655.63
Institutional Support	2,244,735.00	260,768.00	1,062,818.52				3,568,321.52
Operations and Maintenance of Plant	243,508.84	1,580,802.49	978,516.03		575,890.38		3,378,717.74
Student Financial Aid	68,996.81	30,154.86	52,285.37	6,689,073.82			6,840,510.86
Auxiliary Enterprises			123,478.93				123,478.93
Depreciation						1,048,234.92	1,048,234.92
Total Operating Expenses	<u>\$ 17,040,687.74</u>	<u>\$ 3,186,862.39</u>	<u>\$ 3,473,742.67</u>	<u>\$ 6,689,073.82</u>	<u>\$ 575,890.38</u>	<u>\$ 1,048,234.92</u>	<u>\$ 32,014,491.92</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 - PENSION PLANS

- A. **Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (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 \$13,967,947.13, of which \$9,921,628.09 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$738,169.13 and \$595,297.69, 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 \$738,169.13, \$520,339.87, and \$375,787.65, 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.

The Optional Retirement Program (Program) is a defined contribution retirement plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. The North Carolina State Board of Community Colleges is responsible for the administration of the Program and designates the companies authorized to offer investment products. The Board has authorized the following carriers: Teachers' Insurance and Annuity Association - College

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Retirement Equities Fund (TIAA-CREF), Lincoln Life Insurance, Variable Annuity Life Insurance Company (VALIC), and Fidelity Investments. Participants may elect to allocate their contributions and the College contributions to the carrier of their choice. Each carrier offers a variety of investment options and mutual funds.

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

Participant eligibility and contributory requirements are established by General Statute 153-5.1. Employer and member contribution rates are set each year by North Carolina General Assembly. For the year ended June 30, 2012, these rates were set at 6.84% of covered payroll for employers and 6% of covered payroll for members. The College assumes no liability other than its contributions.

For the year ended June 30, 2012, the College had a total payroll of \$13,967,947.13 of which \$160,145.88 was covered under the Optional Retirement Program. Total employee and employer contributions for pension benefits for the year were \$9,608.76 and \$10,953.96.

B. Deferred Compensation and Supplemental Retirement Income Plans - Internal Revenue Code Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$5,970.00 for the year ended June 30, 2012.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$187,016.00 for the year ended June 30, 2012.

Internal Revenue Code Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. The plan administrators are Metropolitan Life and ING Reliastar. No costs are incurred by the College. The voluntary contributions by employees amounted to \$39,500.04 for the year ended June 30, 2012.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

- A. **Health Benefits** - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System. Coverage eligibility varies depending on years of contributory membership service in their retirement system prior to disability or retirement.

The Plan's benefit and contribution provisions are established by 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$504,088.64, \$525,020.66, and \$480,393.47, 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 \$52,425.27, \$55,716.48, and \$55,512.00, 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)

NOTE 13 - RISK MANAGEMENT

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

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 employee dishonesty and computer fraud for employees paid by county and institutional funds by contracts with private insurance companies.

The College purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance. Malpractice coverage for campus programs requiring coverage is provided by contracts with private insurance companies.

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 14 - COMMITMENTS

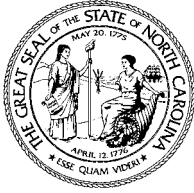
The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$180,196.25 and on other purchases were \$2,846.69 at June 30, 2012.

NOTE 15 - NET ASSET RESTATEMENT

As of July 1, 2011, net assets as previously reported were restated as follows:

	<u>Amount</u>
July 1, 2011 Net Assets as Previously Reported	\$ 26,027,149.52
Restatement:	
Correction of Erroneous Receivables Recorded in Prior Years	<u>(257,811.26)</u>
July 1, 2011 Net Assets as Restated	<u>\$ 25,769,338.26</u>

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

Board of Trustees
Robeson Community College
Lumberton, North Carolina

We have audited the financial statements of Robeson Community College, a component unit of the State of North Carolina, 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 April 5, 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 Robeson Community College Services Corporation and 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.

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.

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.

**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)**

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. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the finding in the Audit Findings and Responses section of this report to be a significant deficiency.

Compliance and Other Matters

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

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

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



Beth A. Wood, CPA
State Auditor

April 5, 2013

AUDIT FINDINGS AND RESPONSES

Matters Related to Financial Reporting

DEFICIENCIES IN FINANCIAL REPORTING

The financial statements prepared by the College contained misstatements that were corrected as a result of our audit. These misstatements indicate that the College's internal control over financial reporting was not effective. Without our corrections the financial statements could have been misleading to readers. Misstatements noted in our audit included the following:

- The College's intergovernmental receivables were overstated by \$257,811. The College recorded receivables from intergovernmental agencies in prior years but had not failed to reversed them in subsequent years when receipted. These receivables have remained unchanged since 2008. This overstatement resulted in a restatement to beginning net assets of the same amount.
- The College misclassified cash and cash equivalents due to not properly considering the effect of interfund borrowing on the financial statements. Current restricted cash was overstated by \$493,532 and unrestricted cash and noncurrent restricted cash were understated by \$104,963 and \$388,569, respectively.
- The College incorrectly classified its net asset balances. As a result, net assets restricted for scholarships and fellowships, capital projects, and specific programs accounts were understated by \$302,065, \$39,316, and \$100,000, respectively, and the unrestricted net asset and restricted other net asset accounts were overstated by \$424,040 and \$17,341, respectively.
- The College understated accounts payable and federal pass-through grant expenses by \$169,925. The College failed to accrue liabilities for items that had been received at June 30, 2012.

Recommendation: The College should place greater emphasis on the year-end financial reporting process and strengthen internal controls to ensure the accuracy of the financial statements.

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

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