



STATE OF NORTH CAROLINA

RANDOLPH COMMUNITY COLLEGE

ASHEBORO, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2014

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Randolph Community College for the year ended June 30, 2014, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

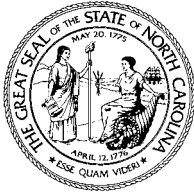
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

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

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Randolph Community College
Asheboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Randolph Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Randolph Community College Foundation, Inc., the College's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for Randolph Community College Foundation, Inc., are based solely 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 from material misstatement. The financial statements of Randolph Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Randolph Community College, and its discretely presented component unit, as of June 30, 2014, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

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 a 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 our audit of the basic financial statements. 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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

April 29, 2015

RANDOLPH COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Randolph Community College's Annual Financial Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2014, and comparisons with June 30, 2013. College management has prepared this discussion, along with the financial statements and related notes to the financial statements. It should be read in conjunction with and is qualified in its entirety by the financial statements and notes to the financial statements. The financial statements, notes to the financial statements, and this discussion are the responsibility of College management.

Using the Annual Report/Overview of Financial Statements

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

Financial Highlights

The following are highlights of financial activity of Randolph Community College for fiscal year 2014:

- The assets of Randolph Community College exceeded its liabilities at June 30, 2014, by \$35,508,535.98 (net position). Net position increased by \$739,707.12 over the prior year of 2013. This increase is attributable to the completion of a renovation to the J. W. Plummer Vocational Education Building and to purchases of equipment.
- Operating revenues at June 30, 2014, increased from June 30, 2013, by \$412,864.08.
- Nonoperating revenues at June 30, 2014, increased from June 30, 2013, by \$330,441.12.
- Operating expenses decreased at June 30, 2014, by \$315,660.55 over fiscal year 2013.
- Capital assets of Randolph Community College increased \$185,650.49.

Financial Analysis of the College's Funds

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

Statement of Net Position As of June 30,

	2013	2014
Current Assets	\$ 3,527,483.27	\$ 4,177,350.83
Noncurrent Assets		
Capital Assets, Net of Depreciation	30,529,191.49	30,714,841.98
Other	2,173,817.09	2,104,792.61
Total Assets	<u>36,230,491.85</u>	<u>36,996,985.42</u>
Deferred Outflows of Resources	<u>0.00</u>	<u>0.00</u>
Current Liabilities	574,587.87	628,915.36
Noncurrent Liabilities	887,075.12	859,534.08
Total Liabilities	<u>1,461,662.99</u>	<u>1,488,449.44</u>
Deferred Inflows of Resources	<u>0.00</u>	<u>0.00</u>
Net Position		
Investment in Capital Assets	30,529,191.49	30,714,841.98
Restricted	2,725,357.55	2,743,290.48
Unrestricted	<u>1,514,279.82</u>	<u>2,050,403.52</u>
Total Net Position	<u>\$ 34,768,828.86</u>	<u>\$ 35,508,535.98</u>

Net position at June 30, 2014, increased \$739,707.12 over the prior fiscal year 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Assets: Total assets increased \$766,493.57 mainly as a result of an increase in cash and cash equivalents of \$761,622.88. This increase was due to campus store efficiencies and profits and local student fees, and was the primary reason for the increase in current assets.

Liabilities: Randolph Community College's liabilities at June 30, 2014, are comprised of accounts payable and payroll accruals, unearned revenue, funds held for others and compensated absences for employee vacation and bonus leave. Current liabilities include accounts payable at June 30, 2014, in the amount of \$273,230.04 compared to \$242,216.78 at June 30, 2013. The increase in accounts payable of \$31,013.26 is attributed in part to energy invoices received and paid in July for the prior fiscal year. The current portion of compensated absences for employee vacation and bonus leave increased by \$800.98, indicating stable accrual and usage levels of vacation during the period. Unearned revenue, comprised of summer semester tuition that covers the portion of classes held after June 30, increased slightly by \$16,413.09.

Long-term liabilities are comprised of compensated absences for employee vacation and bonus leave. The College's policy is to record the cost of vacation leave when it is earned. Total compensated absences at June 30, 2014, are \$965,348.54. The long-term portion of compensated absences decreased by \$27,541.04 from 2013 due to vacation usage levels and payouts to retiring employees. The current portion of compensated absences is recorded as a current liability and the calculation of the current percentage is based on prior year vacation usage. The current portion for 2014 is \$105,814.46.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operation Results At June 30,

	2013	2014
Operating Revenue		
Student Tuition and Fees, Net	\$ 2,074,153.47	\$ 2,300,563.92
Sales and Services, Net	1,268,145.93	1,367,218.16
Other Operating Revenues	115,961.03	203,342.43
Total Operating Revenues	<u>3,458,260.43</u>	<u>3,871,124.51</u>
Operating Expenses		
Salaries and Benefits	15,838,007.23	15,822,269.73
Supplies and Materials	3,591,055.08	3,155,861.92
Services	1,968,779.35	1,910,509.66
Scholarships and Fellowships	3,711,954.19	3,774,657.01
Utilities	481,628.42	509,668.77
Depreciation	888,516.54	991,313.17
Total Operating Expenses	<u>26,479,940.81</u>	<u>26,164,280.26</u>
Operating Loss	<u>(23,021,680.38)</u>	<u>(22,293,155.75)</u>
Nonoperating Revenues		
State Aid	11,185,393.03	11,313,189.24
County Appropriations	2,247,465.56	2,323,291.84
Noncapital Grants - Student Financial Aid	6,874,263.73	6,956,027.26
Noncapital Grants	347,612.13	402,277.90
Other Nonoperating Revenues	468,374.19	458,763.52
Nonoperating Revenues	<u>21,123,108.64</u>	<u>21,453,549.76</u>
Loss Before Other Revenues	(1,898,571.74)	(839,605.99)
Other Revenues		
Capital Aid and Capital Grants	4,961,457.72	1,579,313.11
Increase in Net Assets	3,062,885.98	739,707.12
Net Position, Beginning of Year	<u>31,705,942.88</u>	<u>34,768,828.86</u>
Net Position, End of Year	<u><u>\$ 34,768,828.86</u></u>	<u><u>\$ 35,508,535.98</u></u>

Operating revenue increased by \$412,864.08. Revenues from student tuition and fees increased by \$226,410.45 due to a \$2.50 per credit hour tuition increase in 2013-2014 and an increase in student enrollment. Sales and services increased \$99,072.23 from 2013 due to increased demand resulting from increased enrollment.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating expenses for fiscal year 2014 decreased by \$315,660.55 over fiscal year 2013. Total expenses for fiscal year 2014 were \$26,164,280.26. Supplies and materials purchases decreased \$435,193.16 primarily due to a decrease in purchases of non-capitalized equipment. In the prior year, non-capitalized equipment purchases were larger due to furnishing the Continuing Education Industrial Center building. Scholarships and fellowships increased \$62,702.82 over the previous year. Total Pell awards and other forms of financial aid received remained relatively stable. However, the cost of attendance increased due in part to the \$2.50 per credit hour tuition increase. This increased the scholarship discount applied to awards received by the student decreasing the overall expense of scholarships.

Nonoperating revenue had an increase of \$330,441.12 in fiscal year 2014 over fiscal year 2013. State aid experienced a slight increase of \$127,796.21 in fiscal year 2014. Fewer transfers to state capital aid for equipment purchases contributed to the increase. Total county appropriations remained the same from the previous year, with the exception of funds transferred for operating capital purchases, i.e. equipment.

Other revenue is comprised mainly of state and county capital aid. Regular equipment allocations included in state capital aid provide funds for administrative and educational equipment and furniture. Colleges are permitted to transfer funds to state capital aid for equipment purchases and capital improvements. State capital aid decreased by \$273,546.79 in fiscal year 2014, due to less funding being transferred from state aid to state capital aid than in fiscal year 2013. County capital aid decreased by \$2,994,668.75 due to the decrease in funding from the ¼ cent sales tax as the Continuing Education and Industrial Center Project was completed in 2013.

Randolph Community College's total revenue decreased \$2,638,839.41 from \$29,542,826.79 in 2013 to \$26,903,987.38 in 2014. The decrease is related to the changes in operating, nonoperating and other revenue as stated previously, and is due in large part to decreased county capital funding through a ¼ cent sales tax referendum for the Continuing Education and Industrial Center's construction, completed in 2013.

Capital Assets: Randolph Community College's investment in capital assets as of June 30, 2014, was \$30,714,841.98 net of accumulated depreciation. This investment in capital assets includes land, buildings, infrastructure, equipment and vehicles. The total increase in Randolph Community College's investment in capital assets was \$185,650.49 net of depreciation. This increase was primarily due to the completed work on the J. W. Plummer Vocational Education Building renovation and large equipment purchases. Outstanding commitments on construction contracts were \$11,000.00 at June 30, 2014, a significant decrease from previous years. This commitment is a design contract for the Welding Shop renovation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Assets, Net As of June 30,		
	2013	2014
Capital Assets		
Land	\$ 1,029,013.10	\$ 1,029,013.10
Art	10,000.00	10,000.00
Construction in Progress	164,086.62	
Buildings	32,095,432.59	32,451,065.82
General Infrastructure	1,804,856.00	1,987,287.81
Machinery and Equipment	5,994,689.20	6,685,105.59
Total	41,098,077.51	42,162,472.32
Less Accumulated Depreciation	10,568,886.02	11,447,630.34
Capital Assets, Net	\$ 30,529,191.49	\$ 30,714,841.98

Economic and Other Factors Impacting Future Periods

The economic position of Randolph Community College is closely tied to that of the State of North Carolina. State aid and State capital aid for higher education comprise 46% percent of total revenues and are the largest source of funding for the College. North Carolina's Governor is mandated by State statute to balance the State's budget and has directed the Office of State Budget and Management to take the necessary steps to ensure this. For fiscal year 2014, community colleges were required to utilize a management flexibility reduction of 7.23% to the budget before submitting the 2-1 Budget document to the North Carolina Community College System Office. For fiscal year 2015, community colleges are again required to utilize a management flexibility reduction of 5.73% of the formula budget allotment and recommended reserves of 2% for possible future reversions. Randolph Community College has been able to manage our funding well in spite of management flexibility and other reversions. We will continue to implement sound fiscal management.

Enrollment in curriculum programs at Randolph Community College increased slightly over 2012-2013, while the community college system as a whole experienced a down turn. State aid for the 2013 fiscal year included funding based on record enrollment experienced in the previous academic years, utilizing a three year rolling average in calculations. For fiscal year 2014 colleges were provided funding to ease the transition to a two year average. The State Legislature implemented a budget for the 2014-2015 fiscal year that includes cuts for community colleges in general and the full implementation of a two year rolling average for full time equivalents that will adversely affect the College's fiscal year 2016 budget. Overall, full time equivalents are forecast to show a decrease. The general economic forecast for fiscal year 2016 continues to cause concern. Considering these factors, Randolph Community College has developed a comprehensive plan to proactively manage the budget. Therefore, the

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

College has a conservative budget in place and will consider all purchases carefully. Randolph County, as a whole, continues to experience layoffs but has experienced some growth in industry. The College is developing a plan to form relationships in order to provide training for employees to fit the needs of local industry.

The biggest challenges facing the College are the following:

- Need for additional federal, State and local support including capital needs;
- Meeting student needs for class offerings that will prepare them for the changing economic climate of Randolph County and North Carolina;
- Need for additional funding for equipment purchases;
- Need for additional funding for renovations of existing buildings and new buildings;
- Need for additional funding for new programs;
- Need for additional funding for high cost programs, for example, Health Occupations;
- Need for additional funding to increase wages for employees in order for salaries to be competitive.

Requests for Information

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

Randolph Community College
Statement of Net Position
June 30, 2014

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 2,288,428.45
Restricted Cash and Cash Equivalents	691,804.24
Receivables, Net (Note 3)	520,598.17
Inventories	676,519.97
Total Current Assets	<u>4,177,350.83</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	2,104,792.61
Capital Assets - Nondepreciable (Note 4)	1,039,013.10
Capital Assets - Depreciable, Net (Note 4)	29,675,828.88
Total Noncurrent Assets	<u>32,819,634.59</u>

Total Assets	<u>36,996,985.42</u>
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DEFERRED OUTFLOWS OF RESOURCES

Total Deferred Outflows of Resources	<u>0.00</u>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	273,230.04
Unearned Revenue	198,312.57
Funds Held for Others	51,558.29
Long-Term Liabilities - Current Portion (Note 6)	105,814.46
Total Current Liabilities	<u>628,915.36</u>

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	<u>859,534.08</u>
Total Liabilities	<u>1,488,449.44</u>

DEFERRED INFLOWS OF RESOURCES

Total Deferred Inflows of Resources	<u>0.00</u>
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NET POSITION

Investment in Capital Assets	30,714,841.98
Restricted for:	
Expendable:	
Scholarships and Fellowships	8,249.52
Capital Projects	2,104,792.61
Restricted for Specific Programs	630,248.35
Unrestricted	<u>2,050,403.52</u>
Total Net Position	<u>\$ 35,508,535.98</u>

***Randolph Community College
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2014***

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 8)	\$ 2,300,563.92
Sales and Services, Net (Note 8)	1,367,218.16
Other Operating Revenues	203,342.43

Total Operating Revenues	3,871,124.51
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EXPENSES

Operating Expenses:

Salaries and Benefits	15,822,269.73
Supplies and Materials	3,155,861.92
Services	1,910,509.66
Scholarships and Fellowships	3,774,657.01
Utilities	509,668.77
Depreciation	991,313.17

Total Operating Expenses	26,164,280.26
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Operating Loss	(22,293,155.75)
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NONOPERATING REVENUES

State Aid	11,313,189.24
County Appropriations	2,323,291.84
Noncapital Grants - Student Financial Aid	6,956,027.26
Noncapital Grants	402,277.90
Noncapital Gifts	420,956.72
Investment Income	8,165.35
Other Nonoperating Revenues	29,641.45

Nonoperating Revenues	21,453,549.76
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Loss Before Other Revenues	(839,605.99)
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State Capital Aid	976,257.21
County Capital Aid	489,708.16
Capital Grants	113,347.74

Increase in Net Position	739,707.12
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NET POSITION

Net Position, July 1, 2013	34,768,828.86
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Net Position, June 30, 2014	\$ 35,508,535.98
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The accompanying notes to the financial statements are an integral part of this statement.

Randolph Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 3,879,448.42
Payments to Employees and Fringe Benefits	(15,849,009.79)
Payments to Vendors and Suppliers	(5,514,808.11)
Payments for Scholarships and Fellowships	(3,774,657.01)
Other Receipts	91,071.89
	<hr/>
Net Cash Used by Operating Activities	(21,167,954.60)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	11,313,189.24
County Appropriations	2,323,291.84
Noncapital Grants - Student Financial Aid	6,956,027.26
Noncapital Grants	402,277.90
Noncapital Gifts	420,956.72
	<hr/>
Net Cash Provided by Noncapital Financing Activities	21,415,742.96

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

State Capital Aid Received	1,134,907.21
County Capital Aid	489,708.16
Capital Grants	113,347.74
Acquisition and Construction of Capital Assets	(1,232,293.94)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	505,669.17

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	8,165.35
	<hr/>
Net Increase in Cash and Cash Equivalents	761,622.88
Cash and Cash Equivalents, July 1, 2013	4,323,402.42
	<hr/>
Cash and Cash Equivalents, June 30, 2014	\$ 5,085,025.30

Randolph Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (22,293,155.75)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	991,313.17
Nonoperating Other Income	84,971.73
Changes in Assets and Liabilities:	
Receivables, Net	(8,089.18)
Inventories	30,218.98
Accounts Payable and Accrued Liabilities	31,013.26
Unearned Revenue	16,413.09
Funds Held for Others	6,100.16
Compensated Absences	(26,740.06)
Net Cash Used by Operating Activities	<u><u>\$ (21,167,954.60)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 2,288,428.45
Restricted Cash and Cash Equivalents	691,804.24
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>2,104,792.61</u>
Total Cash and Cash Equivalents - June 30, 2014	<u><u>\$ 5,085,025.30</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Loss on Disposal of Capital Assets	\$ (55,330.28)
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The accompanying notes to the financial statements are an integral part of this statement.

Randolph Community College Foundation, Inc.
Statement of Financial Position
June 30, 2014

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	780,761
Investments Held by Fiscal Agent		9,259,726
Accounts Receivable		2,074
Automobile		851
Total Assets	\$	10,043,412

LIABILITIES

Accounts Payable	\$	4,389
Total Liabilities		4,389

NET ASSETS

Unrestricted		1,269,283
Temporarily Restricted		5,212,271
Permanently Restricted		3,557,469
Total Net Assets		10,039,023
Total Liabilities and Net Assets	\$	10,043,412

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

Randolph Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2014

Exhibit B-2

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:				
Contributions	\$ 0	\$ 281,742	\$ 16,650	\$ 298,392
Income Earned on Investments	50,680	358,093		408,773
Net Realized and Unrealized Gains on Investments	101,943	712,020		813,963
Net Assets Released from Restrictions				
Satisfaction of Program Restrictions	531,069	(531,069)		
Total Revenues, Gains, and Other Support	683,692	820,786	16,650	1,521,128
Expenses:				
Contributions to Randolph Community College for:				
Scholarships	270,159			270,159
Support of Various College Programs	92,548			92,548
Grants	126,276			126,276
Special Projects	1,506			1,506
Management and General	77,584			77,584
Total Expenses	568,073			568,073
Change in Net Assets	115,619	820,786	16,650	953,055
Net Assets - Beginning of Year	1,153,664	4,391,485	3,540,819	9,085,968
Net Assets - End of Year	\$ 1,269,283	\$ 5,212,271	\$ 3,557,469	\$ 10,039,023

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

RANDOLPH COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements present all funds of the College and its component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. See below for further discussion of the College's component unit.

Discretely Presented Component Unit – Randolph Community College Foundation, Inc. (Foundation) is a legally separate nonprofit 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 21 directors, six of which serve by virtue of their position with the College or Board of Trustees. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private nonprofit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2014, the Foundation distributed \$490,489.00 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Joyce Welford, Director of Foundation Operations, at 336-633-0295.

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

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

- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

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

- D. Cash and Cash Equivalents** - This classification includes petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

G. Capital Assets - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Position - The College's net position is classified as follows:

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

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

Unrestricted Net Position - Unrestricted net position includes 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. Both restricted and unrestricted net position include consideration of deferred inflows and outflows of resources.

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 Position. 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

- N. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as campus food, campus store, and print shop. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- O. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriations and county capital appropriations do not revert and are available for future use by the College.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Position as cash and cash equivalents includes cash on hand totaling \$4,400.00, and deposits in private financial institutions with a carrying value of \$3,829,123.50 and a bank balance of \$3,925,015.49.

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, 2014, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2014, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$1,251,501.80 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (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 1.3 years as of June 30, 2014. Assets and shares of the STIF 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 STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2014, is as follows:

Cash on Hand	\$ 4,400.00
Carrying Amount of Deposits with Private Financial Institutions	3,829,123.50
Investments in the Short-Term Investment Fund	<u>1,251,501.80</u>
Total Deposits and Investments	<u>\$ 5,085,025.30</u>
Deposits	
Current:	
Cash and Cash Equivalents	\$ 2,288,428.45
Restricted Cash and Cash Equivalents	691,804.24
Noncurrent:	
Restricted Cash and Cash Equivalents	<u>2,104,792.61</u>
Total Deposits	<u>\$ 5,085,025.30</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Cost	Fair Value	Carrying Value
Cash and Cash Alternatives	\$ 1,115,654	\$ 1,115,654	\$ 1,115,654
Equity Mutual Funds	4,265,929	5,557,136	5,557,136
Taxable Fixed Income Funds	1,986,246	2,586,936	2,586,936
Total Investments Held by Fiscal Agent	<u>\$ 7,367,829</u>	<u>\$ 9,259,726</u>	<u>\$ 9,259,726</u>

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 498,931.70	\$ 153,543.65	\$ 345,388.05
Student Sponsors	32,387.76		32,387.76
Accounts	118,264.42		118,264.42
Intergovernmental	13,937.15		13,937.15
Other	10,620.79		10,620.79
Total Current Receivables	<u>\$ 674,141.82</u>	<u>\$ 153,543.65</u>	<u>\$ 520,598.17</u>

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2014, is presented as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets, Nondepreciable:				
Land	\$ 1,029,013.10	\$ 0.00	\$ 0.00	\$ 1,029,013.10
Art, Literature, and Artifacts	10,000.00			10,000.00
Construction in Progress	164,086.62		164,086.62	0.00
Total Capital Assets, Nondepreciable	<u>1,203,099.72</u>	<u>0.00</u>	<u>164,086.62</u>	<u>1,039,013.10</u>
Capital Assets, Depreciable:				
Buildings	32,095,432.59	355,633.23		32,451,065.82
Machinery and Equipment	5,994,689.20	858,315.52	167,899.13	6,685,105.59
General Infrastructure	1,804,856.00	182,431.81		1,987,287.81
Total Capital Assets, Depreciable	<u>39,894,977.79</u>	<u>1,396,380.56</u>	<u>167,899.13</u>	<u>41,123,459.22</u>
Less Accumulated Depreciation for:				
Buildings	8,372,449.83	649,022.04		9,021,471.87
Machinery and Equipment	1,891,842.55	298,230.12	112,568.85	2,077,503.82
General Infrastructure	304,593.64	44,061.01		348,654.65
Total Accumulated Depreciation	<u>10,568,886.02</u>	<u>991,313.17</u>	<u>112,568.85</u>	<u>11,447,630.34</u>
Total Capital Assets, Depreciable, Net	<u>29,326,091.77</u>	<u>405,067.39</u>	<u>55,330.28</u>	<u>29,675,828.88</u>
Capital Assets, Net	<u>\$ 30,529,191.49</u>	<u>\$ 405,067.39</u>	<u>\$ 219,416.90</u>	<u>\$ 30,714,841.98</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2014, were as follows:

	<u>Amount</u>
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 109,348.88
Accrued Payroll	<u>163,881.16</u>
Total Current Accounts Payable and Accrued Liabilities	<u><u>\$ 273,230.04</u></u>

NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2014, is presented as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
Compensated Absences	<u>\$ 992,088.60</u>	<u>\$ 546,686.40</u>	<u>\$ 573,426.46</u>	<u>\$ 965,348.54</u>	<u>\$ 105,814.46</u>

NOTE 7 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for property rental, copiers, and a mailing system. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2014:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 147,943.00
2016	39,846.63
2017	22,979.31
2018	<u>19,609.68</u>
Total Minimum Lease Payments	<u><u>\$ 230,378.62</u></u>

Rental expense for all operating leases during the year was \$157,133.69.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 4,726,365.48	\$ 0.00	\$ 2,424,086.86	\$ 1,714.70	\$ 2,300,563.92
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Dining	\$ 194,651.04	\$ 8,920.79	\$ 0.00	\$ 0.00	\$ 185,730.25
Health, Physical Education, and Recreation Services	14,251.80				14,251.80
Bookstore	2,144,013.51		1,001,877.19	5,604.04	1,136,532.28
Cosmetology	28,133.83				28,133.83
Sales and Services of Education and Related Activities	2,570.00				2,570.00
Total Sales and Services	\$ 2,383,620.18	\$ 8,920.79	\$ 1,001,877.19	\$ 5,604.04	\$ 1,367,218.16

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	and Benefits	and Materials	Services	and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 9,199,711.40	\$ 961,290.51	\$ 439,749.63	\$ 77,805.19	\$ 0.00	\$ 0.00	\$ 10,678,556.73
Public Service			1,575.00				1,575.00
Academic Support	1,371,960.66	46,988.22	29,903.61				1,448,852.49
Student Services	1,053,401.56	58,128.83	70,334.59	27,915.29			1,209,780.27
Institutional Support	2,964,974.27	169,314.95	719,723.57				3,854,012.79
Operations and Maintenance of Plant	955,539.26	177,484.49	543,555.58		509,668.77		2,186,248.10
Student Financial Aid				3,668,936.53			3,668,936.53
Auxiliary Enterprises	276,682.58	1,742,654.92	105,667.68				2,125,005.18
Depreciation						991,313.17	991,313.17
Total Operating Expenses	\$ 15,822,269.73	\$ 3,155,861.92	\$ 1,910,509.66	\$ 3,774,657.01	\$ 509,668.77	\$ 991,313.17	\$ 26,164,280.26

NOTE 10 - PENSION PLANS

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 (TSERS) 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 a 14-member Board of Trustees, with the State Treasurer serving as Chairman of the Board.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Benefit and contribution provisions for the TSERS 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, 2014, these rates were set at 8.69% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$12,301,140.91, of which \$9,799,154.38 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$851,546.52 and \$587,949.30, respectively.

Required employer contribution rates for the years ended June 30, 2013, and 2012, were 8.33% and 7.44%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2014, 2013, and 2012, which were \$851,546.52, \$803,826.70, and \$701,316.53, respectively.

The TSERS 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.

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

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Teachers' and State Employees' Retirement System and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are established by the General Assembly.

For the current fiscal year the College contributed 5.40% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2013, and 2012, were 5.30% and 5.0%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2014, 2013, and 2012, which were \$529,154.34, \$511,438.36, and \$471,314.87, 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, 2014, the College made a statutory contribution of .44% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2013, and 2012, were .44% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2014, 2013, and 2012, which were \$43,116.28, \$42,459.03, and \$49,016.75, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE 12 - RISK MANAGEMENT

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

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

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

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

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

The College is protected for losses from County and Institutional fund paid employees with a policy purchased from a local insurance company. Coverage consists of \$75,000 per occurrence with a \$1,000 deductible (Blanket Bond).

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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

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

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

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

NOTE 13 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects. Outstanding commitments on construction contracts were \$11,000.00 at June 30, 2014



Beth A. Wood, CPA
State Auditor

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

Board of Trustees
Randolph Community College
Asheboro, North Carolina

We have audited, in accordance with the 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, the financial statements of Randolph Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated April 29, 2015. Our report includes a reference to other auditors who audited the financial statements of Randolph Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Randolph Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Randolph Community College Foundation, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

April 29, 2015

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

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