



STATE OF NORTH CAROLINA

ROANOKE-CHOWAN COMMUNITY COLLEGE

AHOSKIE, 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, Roanoke-Chowan Community College

We have completed a financial statement audit of Roanoke-Chowan 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*.

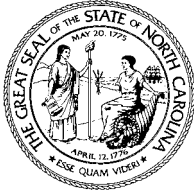
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

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
Roanoke-Chowan Community College
Ahoskie, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Roanoke-Chowan Community College, a component unit of the State of North Carolina, 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 an opinion on these financial statements based on our audit. 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.

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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roanoke-Chowan Community College, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 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

May 13, 2015

ROANOKE-CHOWAN COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Roanoke-Chowan Community College's Financial Statement Audit Report presents Management's Discussion and Analysis of the College's financial activity during the fiscal year ended June 30, 2014. College management has prepared this discussion along with the financial statements and notes to the financial statements. This section 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.

Financial Statement Presentation

The College's basic financial statements include three financial statements: the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

The Statement of Net Position includes all assets and liabilities. This statement combines and consolidates current financial resources (short-term consumable resources) with capital assets. The increase or decrease in net position is an indicator of the improvement or erosion of the College's financial condition.

The Statement of Revenues, Expenses, and Changes in Net Position is designed to be similar to the bottom line results for the College. This statement focuses on both gross and net costs of College activities that are supported mainly by state, local, federal, and other revenues. This approach is intended to simplify the user's analysis of the cost of various college services to students and the public.

The Statement of Cash Flows presents information detailing the sources and uses of cash from both operating activities and financing activities.

Statement of Net Position

The Statement of Net Position presents assets, liabilities and net position of the College for the fiscal year ended June 30, 2014. From the data presented, readers of the Statement of Net Position are able to determine the assets (current and noncurrent) available to continue the operations of the College along with how much the College owes vendors (current and noncurrent). Ultimately, the Statement of Net Position provides users of these statements a snapshot of the net position (assets minus liabilities) and their availability for expenditures by the College.

Net position is divided into three major categories. The first category, investment in capital assets, provides the equity in property, plant and equipment owned by the institution. Capital assets for the College are comprised of nondepreciable and depreciable assets. Nondepreciable assets include land and depreciable assets include buildings, general infrastructure, and machinery and equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The next net position category is restricted net position. They are identified as either nonexpendable or expendable and are available to the College, but represent resources that are subject to external restrictions on how they may be used. The final category is unrestricted net position, which are available to the College for any lawful purpose of the institution.

Condensed Statement of Net Position

	June 30, 2014	June 30, 2013	Increase (Decrease)
Assets			
Current Assets	\$ 523,427.82	\$ 651,402.45	\$ (127,974.63)
Noncurrent Assets	13,231.20	1,327.90	11,903.30
Capital Assets	6,765,061.53	7,065,097.92	(300,036.39)
Total Assets	7,301,720.55	7,717,828.27	(416,107.72)
Liabilities			
Current Liabilities	432,746.17	367,828.52	64,917.65
Noncurrent Long-Term Liabilities	206,955.69	216,536.17	(9,580.48)
Total Liabilities	639,701.86	584,364.69	55,337.17
Net Position			
Investment in Capital Assets	6,765,061.53	7,065,097.92	(300,036.39)
Restricted	274,561.10	322,204.16	(47,643.06)
Unrestricted	(377,603.94)	(253,838.50)	(123,765.44)
Total Net Position	\$ 6,662,018.69	\$ 7,133,463.58	\$ (471,444.89)

As seen in the comparison of current fiscal year and prior fiscal year information, there was a decrease in total assets of \$416,107.72. Current assets mainly cash and accounts receivable decreased by \$127,974.63 as the College spent accumulated cash to offset the effect of reduced revenues. Also, the Student Government Association expended more funds in 2014 than 2013.

Capital assets decreased by \$300,036.39 which is the net of capital asset additions of \$88,984.27 and current year depreciation expense of \$389,020.66. Total liabilities increased \$55,337.17. This is due in part to a \$64,917.65 increase in current liabilities related to accrued payroll related to the use of part time instructors and the current portion of compensated absences. Taking into consideration all of the balances listed previously, the overall effect on total net position is a decrease of \$471,444.89.

Statement of Revenues, Expenses, and Changes in Net Position

The Change in Total Net Position as presented on the Statement of Net Position is based on activity offered in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues and expenses of the College, distinguishing between the operating and nonoperating revenues and expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating revenues experienced a decrease of \$12,908.39. This was mainly due the decrease in student enrollment which meant less revenues for the College.

Operating expenses experienced a decrease of \$168,404.91. This decrease is attributed mainly to the \$178,085.48 decrease in Scholarships and Fellowships which is the result of a continuous decline in enrollment. The increase in supplies attributed from purchasing furniture for the classrooms to enhance the learning capabilities in the amount of \$85,000. There were computers purchased to replace the old ones in one of the computer labs in the amount of \$28,000. More supplies were purchased to uphold the demands of our Welding Department which had to run all year long, including the summer and boot camps. In 2013, we used an outside company to handle the IT services until our new IT Director got acclimated with updating the department and getting the necessary equipment up to date. We also spent \$23,000 to convert our microfilm to a digital format to enhance our services in the Student Services area. The increase in supplies and materials was offset by the decrease in services and the majority of contracted services were not renewed.

The \$340,067.38 decrease in nonoperating revenues is the net of a \$538,317.31 decrease in current nonoperating revenues and a \$198,249.93 increase in capital aid, gifts, and grants. The decrease in enrollment resulted in less federal and state student financial aid, student support services grants, and pass-through grants that caused a \$625,026.33 decrease in noncapital grants and gifts and a decrease in other nonoperating revenues which actually created an other nonoperating expense of \$6,478 for fiscal year 2013-2014. This expense was caused, in part, by not performing chargebacks for printshop services that were rendered for interoffice departments. If there were services rendered for anyone outside of the college, they would be charged. Capital aid, gifts and grants experienced an increase due to expending approximately \$115,637 more of state aid funds for equipment than in the previous year. These additional funds were used to purchase equipment such as desks and other instructional equipment to be used in the classrooms. Also, the College received an additional \$94,326 in county capital appropriations in fiscal year 2013-2014. These additional funds were used to replace a chiller and purchase a Kawasaki Mule (Utility Task Vehicle) with accessories to be used by the maintenance staff.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

	2014	2013	Increase (Decrease)
Operating Revenues			
Student Tuition and Fees, Net	\$ 374,584.19	\$ 399,304.73	\$ (24,720.54)
Sales and Services	30,981.73	27,642.63	3,339.10
Other Operating Revenues	17,492.16	9,019.11	8,473.05
Total Operating Revenues	423,058.08	435,966.47	(12,908.39)
Operating Expenses			
Salaries and Benefits	6,722,693.62	6,739,279.48	(16,585.86)
Supplies and Materials	828,805.97	537,994.60	290,811.37
Services	567,872.43	808,999.15	(241,126.72)
Scholarships and Fellowships	1,661,013.76	1,839,099.24	(178,085.48)
Utilities	263,459.87	301,227.87	(37,768.00)
Depreciation	389,020.66	374,670.88	14,349.78
Total Operating Expenses	10,432,866.31	10,601,271.22	(168,404.91)
Operating Loss	(10,009,808.23)	(10,165,304.75)	(155,496.52)
Nonoperating Revenues			
State Aid	5,385,218.83	5,292,551.14	92,667.69
County Appropriations	892,839.00	826,345.00	66,494.00
Noncapital Grants and Gifts	2,885,181.13	3,510,207.46	(625,026.33)
Other Nonoperating Revenue (Expenses)	(6,478.13)	65,974.54	(72,452.67)
Capital Aid, Gifts, and Grants	381,602.51	183,352.58	198,249.93
Total Nonoperating and Other Revenues	9,538,363.34	9,878,430.72	(340,067.38)
Change in Net Position	(471,444.89)	(286,874.03)	(184,570.86)
Net Position - Beginning of Year	7,133,463.58	7,420,337.61	(286,874.03)
Net Position - End of Year	\$ 6,662,018.69	\$ 7,133,463.58	\$ (471,444.89)

Fiscal Year 2013-2014 total revenues are \$9,967,899 and total expenses are \$10,439,344.

Fiscal Year 2012-2013 total revenues are \$10,314,397 and total expenses are \$10,601,271.

Analysis of Net Capital Assets

The table below shows the classifications of the College's capital assets as of June 30, 2014. Machinery and equipment represents the only change in capital assets. The increase in this category corresponds to the purchase of \$88,984 in new equipment. Accumulated depreciation expenses also increased as yearly depreciation was taken on depreciable assets. The College did not have any capital construction commitments as of June 30, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Condensed Statement of Capital Assets

	June 30, 2014	June 30, 2013	Increase (Decrease)
Capital Assets			
Land	\$ 34,805.00	\$ 34,805.00	\$ 0.00
Buildings	11,694,720.15	11,694,720.15	
Machinery and Equipment	1,295,335.07	1,206,350.80	88,984.27
General Infrastructure	242,311.00	242,311.00	
Total	13,267,171.22	13,178,186.95	88,984.27
Less: Accumulated Depreciation	6,502,109.69	6,113,089.03	389,020.66
Net Capital Assets	<u>\$ 6,765,061.53</u>	<u>\$ 7,065,097.92</u>	<u>\$ (300,036.39)</u>

Economic Outlook

The level of state support is one of the key factors influencing the College's financial condition and its ability to expand programs, undertake new initiatives, and meet its core mission and on-going operational needs. In addition, there is a direct relationship between the level of state support and tuition increases, as declines in state support have resulted in increased tuition and/or mandatory budget reversions.

The College has experienced a reduction in enrollment but continues to be proactive in recruiting to increase enrollment growth and community support. Enrollment projections for 2014-2015 appear flat even though the College continues to increase marketing efforts and community outreach. The economic position of the College is closely tied to that of the State of North Carolina and Hertford County.

The direct impact of the local and national economy on the appropriations for the College is uncertain. Management feels that by using a conservative, realistic approach in handling its resources, the College will be able to continue supporting the educational needs of its students in a quality-learning environment.

The College is affirmed by the Southern Association of Colleges and Schools Commissions on Colleges (SACSCOC). SACSCOC affirmation affords the College continued credibility with the community and availability of financial resources from significant funding agencies.

Roanoke-Chowan Community College
Statement of Net Position
June 30, 2014

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 61,992.30
Restricted Cash and Cash Equivalents	281,725.67
Receivables, Net (Note 3)	92,670.53
Inventories	51,205.17
Prepaid Items	35,527.94
Notes Receivable, Net (Note 3)	306.21

Total Current Assets	523,427.82
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	13,231.20
Capital Assets - Nondepreciable (Note 4)	34,805.00
Capital Assets - Depreciable, Net (Note 4)	6,730,256.53

Total Noncurrent Assets	6,778,292.73
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Total Assets	7,301,720.55
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DEFERRED OUTFLOWS OF RESOURCES

Total Deferred Outflows of Resources	0.00
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	371,216.62
Unearned Revenue	18,934.98
Funds Held for Others	11,067.08
Long-Term Liabilities - Current Portion (Note 6)	31,527.49

Total Current Liabilities	432,746.17
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Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	206,955.69
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Total Noncurrent Liabilities	206,955.69
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Total Liabilities	639,701.86
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DEFERRED INFLOWS OF RESOURCES

Total Deferred Inflows of Resources	0.00
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Roanoke-Chowan Community College
Statement of Net Position
June 30, 2014

Exhibit A-1
Page 2 of 2

NET POSITION

Investment in Capital Assets	6,765,061.53
Restricted for:	
Expendable:	
Scholarships and Fellowships	173,393.54
Loans	14,829.60
Instructional Technology Programs	86,337.96
Unrestricted	<u>(377,603.94)</u>
Total Net Position	<u><u>\$ 6,662,018.69</u></u>

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

***Roanoke-Chowan 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)	\$	374,584.19
Sales and Services		30,981.73
Other Operating Revenues		17,492.16
		<hr/>
Total Operating Revenues		423,058.08
		<hr/>

EXPENSES

Operating Expenses:

Salaries and Benefits	6,722,693.62
Supplies and Materials	828,805.97
Services	567,872.43
Scholarships and Fellowships	1,661,013.76
Utilities	263,459.87
Depreciation	389,020.66
	<hr/>
Total Operating Expenses	10,432,866.31
	<hr/>
Operating Loss	(10,009,808.23)
	<hr/>

NONOPERATING REVENUES (EXPENSES)

State Aid	5,385,218.83
County Appropriations	892,839.00
Noncapital Grants - Student Financial Aid	2,440,678.96
Noncapital Grants	411,457.07
Noncapital Gifts	33,045.10
Investment Income	670.18
Other Nonoperating Expenses	(7,148.31)
	<hr/>
Net Nonoperating Revenues	9,156,760.83
	<hr/>
Loss Before Other Revenues	(853,047.40)
	<hr/>
State Capital Aid	282,782.13
County Capital Aid	98,820.38
	<hr/>
Decrease in Net Position	(471,444.89)
	<hr/>

NET POSITION

Net Position, July 1, 2013	<hr/>	7,133,463.58
Net Position, June 30, 2014	\$	<hr/> <hr/> 6,662,018.69

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

Roanoke-Chowan 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	\$ 479,506.46
Payments to Employees and Fringe Benefits	(6,680,167.68)
Payments to Vendors and Suppliers	(1,651,634.65)
Payments for Scholarships and Fellowships	(1,661,013.76)
Collection of Loans to Students	548.82
Other Payments	(8,482.92)
	<hr/>
Net Cash Used by Operating Activities	(9,521,243.73)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	5,385,218.83
County Appropriations	892,839.00
Noncapital Grants - Student Financial Aid	2,428,264.55
Noncapital Grants	411,457.07
Noncapital Gifts	33,045.10
	<hr/>
Cash Provided by Noncapital Financing Activities	9,150,824.55

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

State Capital Aid Received	282,782.13
County Capital Aid	98,820.38
Acquisition of Capital Assets	(88,984.27)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	292,618.24

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	<hr/> 670.18
	<hr/>
Cash Provided by Investing Activities	670.18
	<hr/>
Net Decrease in Cash and Cash Equivalents	(77,130.76)
Cash and Cash Equivalents, July 1, 2013	<hr/> 434,079.93
	<hr/>
Cash and Cash Equivalents, June 30, 2014	\$ <hr/> 356,949.17

Roanoke-Chowan 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	\$ (10,009,808.23)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	389,020.66
Nonoperating Other Expenses	(7,148.31)
Changes in Assets and Liabilities:	
Receivables, Net	26,439.61
Inventories	25,198.47
Prepaid Items	(831.92)
Notes Receivable, Net	548.82
Accounts Payable and Accrued Liabilities	22,602.45
Unearned Revenue	18,934.98
Funds Held for Others	9,739.18
Compensated Absences	4,060.56
Net Cash Used by Operating Activities	<u><u>\$ (9,521,243.73)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 61,992.30
Restricted Cash and Cash Equivalents	281,725.67
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>13,231.20</u>
Total Cash and Cash Equivalents - June 30, 2014	<u><u>\$ 356,949.17</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	\$ 12,414.41
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The accompanying notes to the financial statements are an integral part of this statement.

ROANOKE-CHOWAN 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. Roanoke-Chowan Community College is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

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

Financial statements for the College and its blended component unit are presented as of and for the fiscal year ended June 30, 2014. The blended component unit, although legally separate, is, in substance, part of the College's operations and therefore, is reported as if it was part of the College.

Blended Component Unit - Although legally separate, Roanoke-Chowan Community College Foundation, Inc. (Foundation) is reported as if it was part of the College. The Foundation is governed by a 13-member board consisting of 1 ex officio director and 12 elected directors. The Foundation'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 Foundation are appointed by the members of the Roanoke-Chowan Community College Board of Trustees and the Foundation's sole purpose is to benefit Roanoke-Chowan Community College, its financial statements have been blended with those of the College.

Condensed combining information regarding the blended component unit is provided in Note 13.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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 undeposited receipts, 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.
- F. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 20 years for general infrastructure, 10 to 51 years for buildings, and 2 to 45 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The College is required by *North Carolina General Statute* 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling \$620.00, and deposits in private financial institutions with a carrying value of \$204,460.58 and a bank balance of \$273,734.83.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, all of the College's deposits were covered under federal depository insurance coverage.

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 (STIF); 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, 2014, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$151,868.59, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 358,866.37	\$ 319,159.13	\$ 39,707.24
Student Sponsors	22,512.86	984.32	21,528.54
Accounts	19,020.34		19,020.34
Intergovernmental	12,414.41		12,414.41
Total Current Receivables	<u>\$ 412,813.98</u>	<u>\$ 320,143.45</u>	<u>\$ 92,670.53</u>
Notes Receivable:			
Notes Receivable - Current:			
Institutional Student Loan Programs	<u>\$ 6,819.66</u>	<u>\$ 6,513.45</u>	<u>\$ 306.21</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	\$ 34,805.00	\$ 0.00	\$ 0.00	\$ 34,805.00
Total Capital Assets, Nondepreciable	<u>34,805.00</u>			<u>34,805.00</u>
Capital Assets, Depreciable:				
Buildings	11,694,720.15			11,694,720.15
Machinery and Equipment	1,206,350.80	88,984.27		1,295,335.07
General Infrastructure	242,311.00			242,311.00
Total Capital Assets, Depreciable	<u>13,143,381.95</u>	<u>88,984.27</u>		<u>13,232,366.22</u>
Less Accumulated Depreciation for:				
Buildings	5,419,438.96	279,567.88		5,699,006.84
Machinery and Equipment	539,742.07	93,181.54		632,923.61
General Infrastructure	153,908.00	16,271.24		170,179.24
Total Accumulated Depreciation	<u>6,113,089.03</u>	<u>389,020.66</u>		<u>6,502,109.69</u>
Total Capital Assets, Depreciable, Net	<u>7,030,292.92</u>	<u>(300,036.39)</u>		<u>6,730,256.53</u>
Capital Assets, Net	<u>\$ 7,065,097.92</u>	<u>\$ (300,036.39)</u>	<u>\$ 0.00</u>	<u>\$ 6,765,061.53</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	\$ 18,583.31
Accrued Payroll	<u>352,633.31</u>
Total Current Accounts Payable and Accrued Liabilities	<u><u>\$ 371,216.62</u></u>

NOTE 6 - LONG-TERM LIABILITIES

Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 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	\$ 234,422.62	\$ 225,781.43	\$ 221,720.87	\$ 238,483.18	\$ 31,527.49

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, 2014:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 81,558.12
2016	80,584.42
2017	<u>41,053.71</u>
Total Minimum Lease Payments	<u><u>\$ 203,196.25</u></u>

Rental expense for all operating leases during the year was \$81,558.12.

NOTE 8 - REVENUES

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

	<u>Gross Revenues</u>	<u>Less Scholarship Discounts</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
Operating Revenues:				
Student Tuition and Fees	\$ 1,310,472.67	\$ 872,171.83	\$ 63,716.65	<u><u>\$ 374,584.19</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 3,190,860.70	\$ 415,984.25	\$ 51,899.67	\$ 10,590.00	\$ 0.00	\$ 0.00	\$ 3,669,334.62
Public Service		450.65					450.65
Academic Support	666,096.86	34,726.47	19,300.43				720,123.76
Student Services	230,937.08	40,394.66	24,214.18	47,269.55			342,815.47
Institutional Support	1,750,295.67	192,239.70	375,739.24	4,768.00			2,323,042.61
Operations and Maintenance of Plant	391,386.28	138,185.87	88,806.53		263,459.87		881,838.55
Student Financial Aid	493,117.03	3,504.71	7,417.38	1,574,510.01			2,078,549.13
Auxiliary Enterprises		3,319.66	495.00	23,876.20			27,690.86
Depreciation						389,020.66	389,020.66
Total Operating Expenses	\$ 6,722,693.62	\$ 828,805.97	\$ 567,872.43	\$ 1,661,013.76	\$ 263,459.87	\$ 389,020.66	\$ 10,432,866.31

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.

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 \$5,245,378.74, of which \$4,179,871.20 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$363,230.81 and \$250,792.27, 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 \$363,230.81, \$349,387.19, and \$307,358.52, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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 \$225,713.04, \$222,299.17, and \$206,558.15, 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 \$18,391.43, \$18,455.03, and \$21,482.05, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 - BLENDED COMPONENT UNIT

Condensed combining information for the College's blended component unit for the year ended June 30, 2014, is presented as follows:

Condensed Statement of Net Position *June 30, 2014*

	RCCC	RCCC Foundation	Total
ASSETS			
Current Assets	\$ 351,364.44	\$ 172,063.38	\$ 523,427.82
Capital Assets	6,765,061.53		6,765,061.53
Other Noncurrent Assets	13,231.20		13,231.20
Total Assets	<u>7,129,657.17</u>	<u>172,063.38</u>	<u>7,301,720.55</u>
Deferred Outflows of Resources	<u>0.00</u>		<u>0.00</u>
LIABILITIES			
Current Liabilities	432,746.17		432,746.17
Noncurrent Liabilities	206,955.69		206,955.69
Total Liabilities	<u>639,701.86</u>		<u>639,701.86</u>
Deferred Inflows of Resources	<u>0.00</u>		<u>0.00</u>
NET POSITION			
Investment in Capital Assets	6,765,061.53		6,765,061.53
Restricted - Expendable	138,987.11	135,573.99	274,561.10
Unrestricted	(414,093.33)	36,489.39	(377,603.94)
Total Net Position	<u>\$ 6,489,955.31</u>	<u>\$ 172,063.38</u>	<u>\$ 6,662,018.69</u>

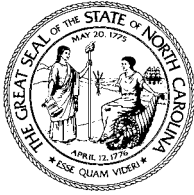
NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Year Ended June 30, 2014

	RCCC	RCCC Foundation	Total
OPERATING REVENUES			
Student Tuition and Fees, Net	\$ 374,584.19	\$ 0.00	\$ 374,584.19
Sales and Services	30,981.73		30,981.73
Other	17,492.16		17,492.16
Total Operating Revenues	423,058.08		423,058.08
OPERATING EXPENSES			
Operating Expenses	10,021,695.03	22,150.62	10,043,845.65
Depreciation	389,020.66		389,020.66
Total Operating Expenses	10,410,715.69	22,150.62	10,432,866.31
Operating Loss	(9,987,657.61)	(22,150.62)	(10,009,808.23)
NONOPERATING REVENUES (EXPENSES)			
State Aid	5,385,218.83		5,385,218.83
County Appropriations	892,839.00		892,839.00
Contributions	15,463.00	17,582.10	33,045.10
Noncapital Grants	2,852,136.03		2,852,136.03
Other Nonoperating Revenues (Expenses)	(7,148.19)	670.06	(6,478.13)
Net Nonoperating Revenues	9,138,508.67	18,252.16	9,156,760.83
Capital Contributions	381,602.51		381,602.51
Decrease in Net Position	(467,546.43)	(3,898.46)	(471,444.89)
NET POSITION			
Net Position, July 1, 2013	6,957,501.74	175,961.84	7,133,463.58
Net Position, June 30, 2014	\$ 6,489,955.31	\$ 172,063.38	\$ 6,662,018.69

Condensed Statement of Cash Flows June 30, 2014

	RCCC	RCCC Foundation	Total
Net Cash Used by Operating Activities	\$ (9,499,107.11)	\$ (22,136.62)	\$ (9,521,243.73)
Net Cash Provided by Noncapital Financing Activities	9,133,242.45	17,582.10	9,150,824.55
Net Cash Provided by Capital and Related Financing Activities	292,618.24		292,618.24
Net Cash Provided by Investing Activities	0.12	670.06	670.18
Net Decrease in Cash and Cash Equivalents	(73,246.30)	(3,884.46)	(77,130.76)
Cash and Cash Equivalents, July 1, 2013	258,132.09	175,947.84	434,079.93
Cash and Cash Equivalents, June 30, 2014	\$ 184,885.79	\$ 172,063.38	\$ 356,949.17



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
Roanoke-Chowan Community College
Ahoskie, 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 Roanoke-Chowan Community College, a component unit of the State of North Carolina, 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 May 13, 2015.

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 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.

**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 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

May 13, 2015

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