

STATE OF NORTH CAROLINA

ROBESON COMMUNITY COLLEGE

LUMBERTON, NORTH CAROLINA

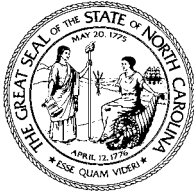
FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2014

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR



Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
<http://www.ncauditor.net>

AUDITOR'S TRANSMITTAL

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

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

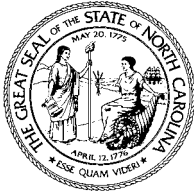
A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
College Exhibits	
A-1 Statement of Net Position	13
A-2 Statement of Revenues, Expenses, and Changes in Net Position.....	14
A-3 Statement of Cash Flows	15
Component Unit Exhibits	
B-1 Statement of Financial Position	17
B-2 Statement of Activities.....	18
Notes to the Financial Statements	19
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 <i>GOVERNMENT AUDITING STANDARDS</i>	37
ORDERING INFORMATION	39

Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
<http://www.ncauditor.net>

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Robeson Community College
Lumberton, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Robeson Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 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 the Robeson Community College Services Corporation, which represent .48 percent, .53 percent, and .001 percent, respectively, of the assets, net position, and revenues of the College; nor the financial statements of the Robeson Community College Foundation, Inc., the College's discretely presented component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Robeson Community College Services Corporation and Robeson Community College Foundation, Inc., are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Robeson 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 and other auditors 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 April 22, 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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 22, 2015

[This Page Left Blank Intentionally]

ROBESON COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Robeson 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, with comparative data for fiscal year ended June 30, 2013. This discussion and analysis is designed to focus on current activities, resulting change and currently known facts. Please read it in conjunction with the College's basic financial statements and the notes to the financial statements. Responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one column. According to Governmental Accounting Standards Board (GASB) the College is required to present the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position includes assets, liabilities and net position. This statement reflects the overall financial position of the College at June 30, 2014. The statement is a point-in-time statement, the purpose of which is to present a fiscal snapshot of the College. This statement combines and consolidates current financial resources (short-term spendable 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 focus of the Statement of Revenues, Expenses, and Changes in Net Position is designed to be similar to bottom line results for the College. The statement focuses on both the gross and the net costs of College activities, which are supported mainly by state funds, county appropriations, grants as well as other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

The Statement of Cash Flows provides information relative to the College's sources and uses of cash for operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The statement provides a reconciliation of beginning cash balances to ending cash balances and is representative of the activity reported on the Statement of Revenues, Expenses, and Changes in Net Position as adjusted for changes in the beginning and ending balance of noncash accounts on the Statement of Net Position.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Institutional Assets

The assets of the College are divided between current and noncurrent assets. Current assets include cash and cash equivalents, receivables expected to be collected within the next accounting cycle, inventories and prepaid items. Noncurrent assets include cash and cash equivalents, receivables due from the State for construction projects, and capital assets (land, construction in progress, buildings, general infrastructure, and equipment).

Condensed Statement of Net Position

	June 30, 2014	(as restated) June 30, 2013	Change	% Change
Current Assets	\$ 3,234,969.26	\$ 2,980,141.97	\$ 254,827.29	8.55%
Noncurrent Assets:				
Capital Assets, Net of Depreciation	23,875,065.12	23,701,571.78	173,493.34	0.73%
Other Noncurrent Assets	412,767.35	1,036,889.70	(624,122.35)	-60.19%
Total Assets	27,522,801.73	27,718,603.45	(195,801.72)	-0.71%
Current Liabilities	1,586,994.09	1,669,466.35	(82,472.26)	-4.94%
Noncurrent Liabilities	1,015,205.97	1,023,635.29	(8,429.32)	-0.82%
Total Liabilities	2,602,200.06	2,693,101.64	(90,901.58)	-3.38%
Net Position:				
Investment in Capital Assets	23,875,065.12	23,701,571.78	173,493.34	0.73%
Restricted	994,872.57	1,404,430.23	(409,557.66)	-29.16%
Unrestricted	50,663.98	(80,500.20)	131,164.18	162.94%
Total Net Position	\$ 24,920,601.67	\$ 25,025,501.81	\$ (104,900.14)	-0.42%

The College's capital assets are stated at their purchase price or, in the case of donations, assigned a fair market value when they are accepted. The College records purchases as a capital asset when the purchase price is more than \$5,000 at the date of purchase and the asset has a useful life of more than one year. Other noncurrent assets decreased by \$624,122.35, or 60.19% from the prior year. A substantial portion of this decrease was due to the decrease in restricted due from primary government receivables. Several projects were completed in FY14 including renovations to the Welding, Basic Skills, and Barbering labs, as well as upgrades to the Basic Law Enforcement Training Track. The completion of such projects constituted \$437,891.54 of the decrease to other noncurrent assets.

Institutional Liabilities

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities that extend beyond one year. Accounts payable and accrued liabilities, the College's largest current liability at June 30, 2014, includes amounts due to vendors and accrued payroll. Long-term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year, calculated at the current salary rates for each employee consistent with the institution's leave policies. There were no significant changes in liabilities from the prior period.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Position

Net Position is a measure of the value of all the College's assets after liabilities and depreciation are deducted. The net position is divided into three categories including invested in capital assets, restricted expendable, and unrestricted.

Investment in capital assets is the net position representing the College's capital assets net of accumulated depreciation. Restricted expendable net position consists of resources in which the College is legally or contractually obligated to spend in accordance with restrictions by external parties. It is comprised of capital projects and other expendable assets.

Unrestricted net position includes resources derived from student tuition and fees, sales and services, and other income. The College's total net position decreased by \$104,900.14, or .42% from the prior period. The decrease in restricted net position is primarily due to the decrease in restricted due from primary government described above. The increase in unrestricted net position can be attributed, in part, to increases in unrestricted revenues streams related to auxiliary services and decreased related expenditures.

Revenues

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees, other operating revenues and the revenue received from sales and services, principally comprised of the revenue received from vending and the student government association. Operating revenues decreased by \$573,506.98 or 31.64% from the prior period.

The largest operating revenue in the amount of \$825,199.02 is net student tuition and fees. Student tuition, though identified as revenue, is remitted back to the State Treasurer and is not netted against the College's state aid identified as nonoperating revenue. The State mandated an increase in the in-state and out-of-state tuition rates of \$2.50 per credit hour. However, despite the tuition rate increases tuition and fee revenue decreased by \$459,415.35 from the prior fiscal year. This is representative of the decrease in student enrollment from the prior year. Curriculum full-time equivalents (FTEs) decreased from 2,230 to 1,772 (-23.96%) from the prior period. The decrease in tuition and fees revenues also represents an increase in the amount of student accounts receivable that are considered uncollectible.

Nonoperating revenues comprise the major portion of the College's revenues and include formula allocations from the North Carolina State Board of Community Colleges for current expense, equipment, and capital improvements, as well as funds appropriated from the Robeson County Board of Commissioners, student financial aid, other capital and noncapital grants and gifts, and interest income. The decrease in noncapital grants and gifts of \$7,671,532.02 can be attributed, in part, to two factors. First, noncapital grants representing student financial aid decreased by \$2,801,312.11, or 30%, from the prior year. This is a byproduct of the decline in enrollment described above, as well as the implementation of new Pell grant regulations by the US Department of Education. The second factor is the decrease

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

in noncapital grants revenue of \$4,925,133.45, or 40.8%. This was caused by declining activity on the Department of Labor – NC Advanced Manufacturing Alliance Grant as it nears the end of the award period.

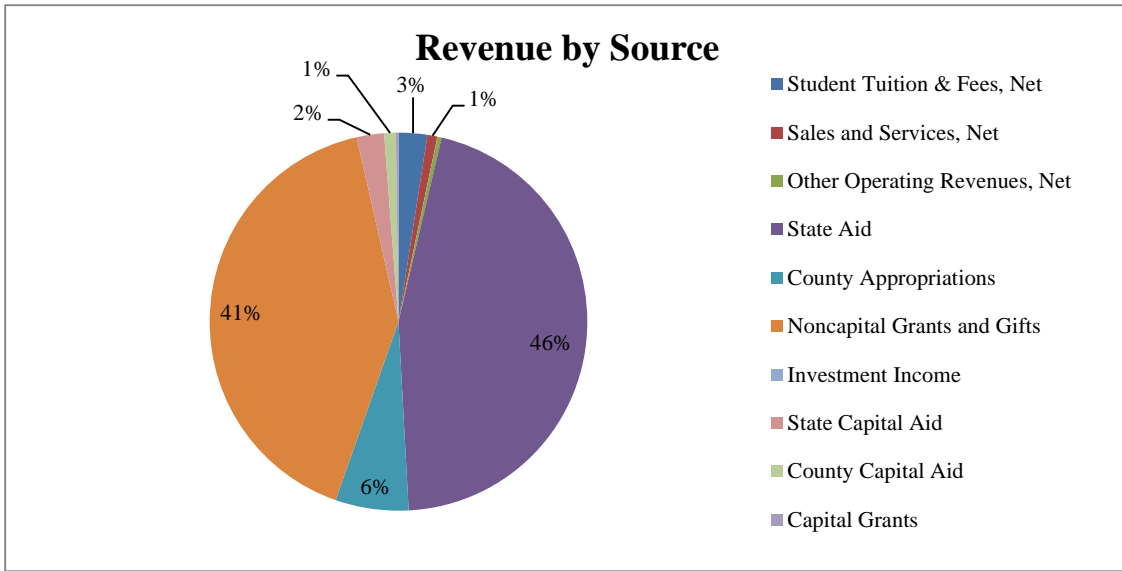
Condensed Statement of Revenues, Expenses, and Change in Net Position

	June 30, 2014	(as restated) June 30, 2013	Change	% Change
Operating Revenues:	\$ 1,239,155.99	\$ 1,812,662.97	\$ (573,506.98)	-31.64%
Operating Expenses:				
Salaries and Benefits	17,930,801.06	17,971,953.28	(41,152.22)	-0.23%
Supplies and Materials	2,091,178.42	2,566,505.70	(475,327.28)	-18.52%
Services	3,926,089.50	3,565,392.76	360,696.74	10.12%
Scholarships and Fellowships	4,490,491.72	6,571,146.24	(2,080,654.52)	-31.66%
Utilities	616,140.30	579,964.36	36,175.94	6.24%
Depreciation	1,159,160.29	1,140,822.76	18,337.53	1.61%
Total Operating Expenses	30,213,861.29	32,395,785.10	(2,181,923.81)	-6.74%
Operating Loss	(28,974,705.30)	(30,583,122.13)	1,608,416.83	-5.26%
Nonoperating Revenues (Expenses):				
State Aid	15,282,568.46	14,525,545.16	757,023.30	5.21%
County Aid	2,100,000.00	2,000,000.00	100,000.00	5.00%
Noncapital Grants and Gifts	13,803,156.68	21,474,688.70	(7,671,532.02)	-35.72%
Investment Income	1,591.00	1,592.92	(1.92)	-0.12%
Federal Pass-through Grant Expenses	(3,420,475.42)	(9,287,780.97)	(5,867,305.55)	-63.17%
Loss Before Other Revenues and Losses	(1,207,864.58)	(1,869,076.32)	661,211.74	-35.38%
Other Revenues (Losses):				
Capital Aid and Grants	1,192,964.44	1,742,134.24	(549,169.80)	-31.52%
Capital Asset Impairment Loss	(90,000.00)	(90,000.00)	(90,000.00)	
Decrease in Net Position	(104,900.14)	(126,942.08)	22,041.94	-17.36%
Net Position, Beginning of Period	25,025,501.81	25,152,443.89	(126,942.08)	-0.50%
Net Position, End of Period	\$ 24,920,601.67	\$ 25,025,501.81	\$ (104,900.14)	-0.42%

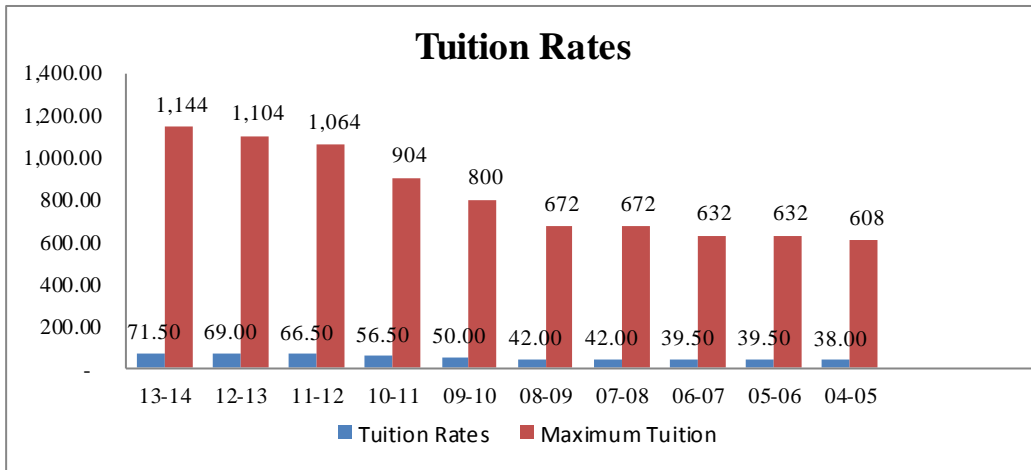
Fiscal year 2013-2014 total revenues are \$33,619,436.57 and total expenses are \$33,724,336.71.

Fiscal year 2012-2013 total revenues are \$41,556,623.99 and total expenses are \$41,683,566.07.

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)



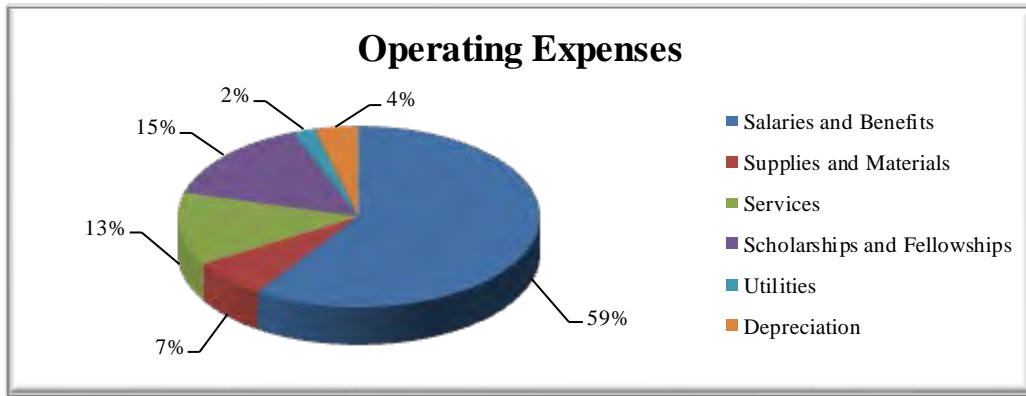
The State tuition rates for in-state and out-of-state students increased for fiscal year-ending 2014 to \$71.50 and \$263.50 per credit hour, respectively. Tuition rates have increased 88.16% over the last ten years.



Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits identified as salaries and benefits. Support cost, scholarships, and depreciation make up the balance of direct cost. The College experienced a reduction in supplies and materials of 18.52% or \$475,327.28 as a result of decreased spending. Scholarships and fellowships declined by \$2,080,654.52 due to a decrease in enrollment and newly implemented Pell grant regulations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)



Capital Contributions

State capital contributions are received through appropriations from the North Carolina State Board of Community Colleges under a formula allocation for educational equipment and instructional resources. The North Carolina State Board of Community Colleges also provided construction funds as part of the North Carolina 2000 Higher Education Bond Referendum and previous legislative action providing funds for renovations and repairs. State capital aid decreased by \$543,390.85 from the prior year as a result of decreases in capital purchases with state funds. Capital contributions are also received through appropriations from Robeson County for equipment, motor vehicles, and small construction items.

Capital Assets

Robeson Community College's investment in capital assets as of June 30, 2014, amounted to \$23,875,065.12, net of accumulated depreciation. This investment in capital assets includes construction in progress, machinery and equipment, vehicles, land, buildings, and general infrastructure. There were no significant changes in capital assets from the prior period.

Economic Factors Impacting Future Periods

Amid concerns for textbook costs, increased tuition rates, and several other factors, the College's total FTE has decreased from 3,756 in 2013 to 3,314 in 2014. The College's budgeted FTE remained relatively stable. The College's Long Range Strategic Plan has identified facilities and programs designed for changing employment needs in the region which will likely increase enrollment and modernize and expand its complement of facilities with a balance of new construction for the next bond issue.

The majority of the College's students receive some type of financial aid, primarily in the form of Pell grants. Changes in federal financial aid regulations have impacted our enrollment. Pell requirements have increased the extent of documentation students are required to provide. The lifetime limit on Pell awards has decreased from 18 to 12 semesters and community college students tend to enter and exit often. The limited amount of time students can use Pell for developmental education impacts the College greatly because a large percentage of students need significant developmental coursework and Pell can only pay for 30 hours of developmental coursework. Students often need so much developmental that this

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

restriction is impactful. Lastly the satisfactory academic performance requirement is a major contributor to the decline in enrollment as often times students simply don’t meet the satisfactory academic performance requirements to receive continuing Pell awards.

The College participated in the William D. Ford Direct Loans program through the fiscal year-ended June 30, 2012. The loans increase the students’ outstanding debt which can leave the College more vulnerable to actions of government agencies. The College was concerned that students may not stay current with their required loan payments and this default rate can adversely affect the College’s ability to participate in federal aid programs.

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
January	10.10%	13.90%	14.00%	12.70%	13.30%	11.20%
February	9.60%	13.00%	13.40%	12.40%	13.50%	12.00%
March	9.30%	12.30%	12.80%	12.20%	13.00%	11.60%
April	8.90%	11.80%	12.60%	12.10%	12.40%	11.70%
May	9.50%	12.50%	12.90%	12.30%	12.50%	12.10%
June	9.30%	13.00%	13.90%	13.20%	12.70%	12.60%
July	10.10%	13.30%	13.90%	13.40%	13.10%	12.70%
August	9.90%	12.00%	13.70%	14.60%	12.40%	12.50%
September	8.60%	10.90%	12.40%	14.20%	11.60%	11.90%
October	8.00%	11.20%	12.50%	14.10%	11.80%	12.10%
November	7.70%	10.10%	12.30%	13.70%	12.50%	12.20%
December	7.60%	9.10%	12.80%	13.70%	12.30%	12.50%

In addition, the state of the economy which is reflected by unemployment rates in Robeson and surrounding counties has a direct relationship to enrollment. Historically, we’ve found that when there is a decrease in unemployment rates, there is also a decrease in enrollment. The following information reflects the unemployment rates in Robeson County.

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

	<u>Fall</u>	<u>Spring</u>
2013-2014	7,129	6,587
2012-2013	7,219	7,436
2011-2012	8,028	7,659
2010-2011	8,184	7,734
2009-2010	7,854	8,515
2008-2009	7,681	8,175
2007-2008	7,943	7,900
2006-2007	7,653	8,794
2005-2006	7,689	8,244
2004-2005	8,084	8,153

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

The College takes every opportunity to acquire alternative funding. Grants awarded during 2014 included:

- Workforce Investment Act – Out of School Youth Program (\$266,546)
- TRIO Student Support Services (\$218,907)
- Robeson County Partnership for Children - Professional Development (\$335,070)
- Campus Alliance for Native American Student Achievement (\$100,697)
- National Science Foundation (\$184,620)
- Project Skill Up (\$13,212)
- Male Minority Mentoring (\$20,500)
- Back-To-Work (\$119,810)
- DOL-BOOST (3,393,086)

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

Robeson Community College
Statement of Net Position
June 30, 2014

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,172,908.04
Restricted Cash and Cash Equivalents	839,485.88
Receivables, Net (Note 3)	931,273.74
Due from State of North Carolina Component Units	131,311.68
Inventories	59,105.69
Prepaid Items	100,884.23
	<hr/>
Total Current Assets	3,234,969.26

Noncurrent Assets:

Restricted Cash and Cash Equivalents	140,890.17
Restricted Due from Primary Government	271,877.18
Capital Assets - Nondepreciable (Note 4)	560,384.36
Capital Assets - Depreciable, Net (Note 4)	23,314,680.76
	<hr/>
Total Noncurrent Assets	24,287,832.47

Total Assets	<hr/> <hr/> 27,522,801.73
--------------	---------------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources	<hr/> 0.00
--------------------------------	------------

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	883,328.61
Due to Primary Government	4,359.12
Due to State of North Carolina Component Units	381,908.11
Unearned Revenue	160,686.21
Funds Held for Others	12,610.02
Long-Term Liabilities - Current Portion (Note 6)	144,102.02
	<hr/>

Total Current Liabilities	1,586,994.09
---------------------------	--------------

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	<hr/> 1,015,205.97
--------------------------------	--------------------

Total Noncurrent Liabilities	<hr/> 1,015,205.97
------------------------------	--------------------

Total Liabilities	<hr/> <hr/> 2,602,200.06
-------------------	--------------------------

DEFERRED INFLOWS OF RESOURCES

Total Deferred Inflows of Resources	<hr/> 0.00
-------------------------------------	------------

NET POSITION

Investment in Capital Assets	23,875,065.12
------------------------------	---------------

Restricted for:

Expendable:	
Capital Projects	363,590.19
Other	631,282.38

Unrestricted	<hr/> 50,663.98
--------------	-----------------

Total Net Position	<hr/> <hr/> <hr/> \$ 24,920,601.67
--------------------	------------------------------------

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

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

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 9)	\$ 825,199.02
Sales and Services, Net (Note 9)	289,298.60
Other Operating Revenues, Net (Note 9)	<u>124,658.37</u>
Total Operating Revenues	<u>1,239,155.99</u>

EXPENSES

Operating Expenses:	
Salaries and Benefits	17,930,801.06
Supplies and Materials	2,091,178.42
Services	3,926,089.50
Scholarships and Fellowships	4,490,491.72
Utilities	616,140.30
Depreciation	<u>1,159,160.29</u>
Total Operating Expenses	<u>30,213,861.29</u>
Operating Loss	<u>(28,974,705.30)</u>

NONOPERATING REVENUES (EXPENSES)

State Aid	15,282,568.46
County Appropriations	2,100,000.00
Noncapital Grants - Student Financial Aid	6,534,974.83
Noncapital Grants	7,141,954.49
Noncapital Gifts	126,227.36
Investment Income	1,591.00
Federal Pass-through Grant Expenses	<u>(3,420,475.42)</u>
Net Nonoperating Revenues	<u>27,766,840.72</u>
Loss Before Other Revenues and Losses	(1,207,864.58)
State Capital Aid	780,071.69
County Capital Aid	340,000.00
Capital Grants	72,892.75
Capital Asset Impairment Loss	<u>(90,000.00)</u>
Decrease in Net Position	(104,900.14)

NET POSITION

Net Position, July 1, 2013	<u>25,025,501.81</u>
Net Position, June 30, 2014	<u>\$ 24,920,601.67</u>

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

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

***Exhibit A-3
Page 1 of 2***

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 1,282,610.13
Payments to Employees and Fringe Benefits	(17,878,243.01)
Payments to Vendors and Suppliers	(6,493,926.36)
Payments for Scholarships and Fellowships	(4,490,491.72)
Other Receipts	2,666.11
	<hr/>
Net Cash Used by Operating Activities	(27,577,384.85)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	15,282,568.46
County Appropriations	2,100,000.00
Noncapital Grants - Student Financial Aid	6,534,974.83
Noncapital Grants	7,316,998.62
Noncapital Gifts	126,227.36
Federal Pass-through Grants	(3,685,882.09)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	27,674,887.18

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,217,963.23
County Capital Aid	340,000.00
Capital Grants	72,892.75
Acquisition and Construction of Capital Assets	(1,471,594.14)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	159,261.84

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	1,591.00
	<hr/>
Net Cash Provided by Investing Activities	1,591.00

Net Increase in Cash and Cash Equivalents	258,355.17
Cash and Cash Equivalents, July 1, 2013	1,894,928.92
	<hr/>
Cash and Cash Equivalents, June 30, 2014	\$ 2,153,284.09

Robeson 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	\$ (28,974,705.30)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,159,160.29
Provision for Uncollectibles and Write-Offs	239,988.72
Changes in Assets and Liabilities:	
Receivables, Net	(115,312.76)
Inventories	(11,476.41)
Prepaid Items	(28,722.23)
Accounts Payable and Accrued Liabilities	107,873.67
Due to Primary Government	(4,732.41)
Unearned Revenue	(11,459.06)
Funds Held for Others	2,666.11
Compensated Absences	59,334.53
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (27,577,384.85)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 1,172,908.04
Restricted Cash and Cash Equivalents	839,485.88
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	140,890.17
	<hr/>
Total Cash and Cash Equivalents - June 30, 2014	<u><u>\$ 2,153,284.09</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 177,562.65
Increase in Receivables Related to Nonoperating Income	473,492.22
Loss on Disposal of Capital Assets	(69,762.76)
Capital Asset Impairment Loss	(90,000.00)

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

Robeson Community College Foundation, Inc.
Statement of Net Position
June 30, 2014

Exhibit B-1

ASSETS

Current Assets

Cash and Cash Equivalents	\$	301,943.00
Investments		<u>110,339.00</u>

Total Current Assets 412,282.00

Noncurrent Assets

Investments - Long Term		<u>1,730,926.00</u>
-------------------------	--	---------------------

Total Assets \$ 2,143,208.00

NET POSITION

Restricted For:

Expendable:

Scholarships	\$	222,429.00
Restricted For Specific Programs		116,141.00
Endowments		1,508,497.00
Unrestricted		<u>296,141.00</u>

Total Net Position \$ 2,143,208.00

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

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

Exhibit B-2

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE AND GAINS				
Campus Fund Drive	\$ 31,600	\$ 0	\$ 0	\$ 31,600
Contributions	17,799	13,615		31,414
Scholarships		56,833		56,833
Golf Tournament Fundraiser	23,176			23,176
Endowments			106,569	106,569
Learners to Leaders		100,520		100,520
Investment Income - Including Unrealized Gains and (Losses) on Investments (Net of Investment Expense of \$7,873)	15		230,358	230,373
Net Position Released From Restrictions	18,262	85,897	(104,159)	
Total Operating Revenue and Gains	90,852	256,865	232,768	580,485
OPERATING EXPENSES				
Program Service-Related				
Contracted Services	20,451			20,451
Scholarships		95,422		95,422
Grant and Program Service Expenditures		26,662		26,662
General and Administrative		8,752		8,752
Management and General				
General and Administrative	27,358			27,358
Total Operating Expenses	47,809	130,836		178,645
Excess of Operating Revenue and Gains in Excess of Operating Expenses	43,043	126,029	232,768	401,840
Increase in Net Position	43,043	126,029	232,768	401,840
NET POSITION - BEGINNING OF YEAR	253,098	212,541	1,275,729	1,741,368
Net Position - End of Year	\$ 296,141	\$ 338,570	\$ 1,508,497	\$ 2,143,208

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

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

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

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

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

Condensed combining information regarding blended component units is provided in Note 15.

Discretely Presented Component Unit – Robeson Community College Foundation, Inc. (Foundation) is a legally separate nonprofit corporation

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 29 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Robeson Community College Foundation, Inc. is a private nonprofit organization that reports its financial results in accordance with Governmental Accounting Standards Board (GASB) principles.

During the year ended June 30, 2014, the Foundation distributed \$77,292.31 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Robeson Community College Business Services Office, Post Office Box 1420 Lumberton, NC 28359, or by calling (910) 272-3541.

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

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

- 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies, are valued at the lower of cost or market using the first-in, first-out method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 50 years for general infrastructure, 40 to 50 years for buildings, and 3 to 15 years for equipment.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next fiscal year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

K. Net 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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 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 that represent subsidies or gifts to the College, as well as federal pass-through grants, and 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits - The College is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute 115D-58.7*. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling \$500, and deposits in private financial institutions with a carrying value of \$1,790,787.60 and a bank balance of \$2,015,623.49.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$361,996.49 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.

- B. Investments of Component Unit** - Investments of the College's discretely presented component unit, the Robeson Community College Foundation, Inc., (Foundation) are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Investments of the Foundation as of June 30, 2014, are summarized as follows:

Investment Type	Cost	Fair Value	Carrying Value
Unrestricted	\$ 75,276	\$ 91,921	\$ 91,921
Restricted	1,479,963	1,749,344	1,749,344
Total	\$ 1,555,239	\$ 1,841,265	\$ 1,841,265

The following table presents the fair value of investments by type and investments subject to interest rate risk at June 30, 2014, for the Foundation's investments. Interest rate risk is defined by GASB Statement No. 40 as the risk an entity may face should interest rate

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

variances affect the fair value of investments. The Foundation has a formal investment policy that addresses interest rate risk which limits the asset allocation, investment type, credit rating, and maturity dates of investments.

Investment Type	Fair Value	Investment Maturities (in years)
		1 to 5
Debt Securities		
Debt Mutual Funds	\$ 604,326	\$ 604,326
Other Securities		
Mutual Funds	1,203,510	
Other	33,429	
Total Investments	\$ 1,841,265	

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation has a formal policy that addresses credit risk which limits the types, credit ratings, and maturity dates of debt securities. As of June 30, 2014, the Foundation's investments were rated as follows:

	Fair Value	Unrated
Debt Mutual Funds	\$ 604,326	\$ 604,326
Rating Agency: S & P		

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 1,248,066.88	\$ 846,402.65	\$ 401,664.23
Student Sponsors	61,293.67		61,293.67
Intergovernmental	468,315.84		468,315.84
Total Current Receivables	\$ 1,777,676.39	\$ 846,402.65	\$ 931,273.74

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 and Permanent Easements	\$ 513,737.76	\$ 0.00	\$ 0.00	\$ 513,737.76
Construction in Progress	229,468.19	450,896.94	633,718.53	46,646.60
Total Capital Assets, Nondepreciable	743,205.95	450,896.94	633,718.53	560,384.36
Capital Assets, Depreciable:				
Buildings	25,422,599.48	393,590.69		25,816,190.17
Machinery and Equipment	6,638,462.20	1,041,519.45	235,503.02	7,444,478.63
General Infrastructure	3,477,478.32	150,127.84		3,627,606.16
Total Capital Assets, Depreciable	35,538,540.00	1,585,237.98	235,503.02	36,888,274.96
Less Accumulated Depreciation for:				
Buildings	8,049,117.13	551,830.50		8,600,947.63
Machinery and Equipment	3,239,163.29	550,213.98	165,740.26	3,623,637.01
General Infrastructure	1,291,893.75	57,115.81		1,349,009.56
Total Accumulated Depreciation	12,580,174.17	1,159,160.29	165,740.26	13,573,594.20
Total Capital Assets, Depreciable, Net	22,958,365.83	426,077.69	69,762.76	23,314,680.76
Capital Assets, Net	\$ 23,701,571.78	\$ 876,974.63	\$ 703,481.29	\$ 23,875,065.12

The Statement of Revenues, Expenses, and Changes in Net Position contains a nonoperating capital asset impairment loss of \$90,000. This amount is included in the decrease to construction in progress shown above. The impairment was caused by a permanent construction stoppage on a Basic Skills Building project due to lack of funding.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 391,071.69
Accrued Payroll	485,562.27
Contract Retainage	6,694.65
Total Accounts Payable and Accrued Liabilities	\$ 883,328.61

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	<u>\$ 1,099,973.46</u>	<u>\$ 834,801.14</u>	<u>\$ 775,466.61</u>	<u>\$ 1,159,307.99</u>	<u>\$ 144,102.02</u>

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	<u>\$ 125,701.92</u>
Total Minimum Lease Payments	<u><u>\$ 125,701.92</u></u>

Rental expense for all operating leases during the year was \$129,554.56.

NOTE 8 - FUTURE RENTAL REVENUES

Future minimum lease revenue under non-cancelable leases related to wireless broadband services are recorded when earned. Minimum future revenues under non-cancelable agreements treated as operating leases as of June 30, 2014 consist of the following:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 20,410.00
2016	20,410.00
2017	20,410.00
2018	<u>20,410.00</u>
Total Future Minimum Revenue	<u><u>\$ 81,640.00</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles*	Net Revenues
Operating Revenues:				
Student Tuition and Fees	\$ 3,434,163.78	\$ 2,430,840.13	\$ 178,124.63	\$ 825,199.02
Sales and Services:				
Bookstore Commissions	181,267.11	0.00	0.00	181,267.11
Vending	40,253.92			40,253.92
Sales and Services of Education and Related Activities	113,540.62	45,763.05		67,777.57
Total Sales and Services	<u>335,061.65</u>	<u>45,763.05</u>	<u>0.00</u>	<u>289,298.60</u>
Other Operating Revenues	<u>\$ 184,364.58</u>	<u>\$ 59,706.21</u>	<u>\$ 0.00</u>	<u>\$ 124,658.37</u>

* The Allowance for Uncollectibles is equivalent to the change in the Allowance for Doubtful Accounts, excluding items such as direct write-offs.

NOTE 10 - 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	\$ 11,687,403.30	\$ 1,037,400.19	\$ 1,389,191.98	\$ 0.00	\$ 0.00	\$ 0.00	\$ 14,113,995.47
Academic Support	1,634,062.33	63,597.59	83,561.91				1,781,221.83
Student Services	1,725,525.20	86,050.37	99,518.89				1,911,094.46
Institutional Support	2,624,677.32	235,162.30	1,143,055.67				4,002,895.29
Operations and Maintenance of Plant	122,455.31	668,651.09	1,009,558.13		616,140.30		2,416,804.83
Student Financial Aid	136,677.60	316.88	55,198.56	4,512,286.16			4,704,479.20
Auxiliary Enterprises			146,004.36	(21,794.44)			124,209.92
Depreciation						1,159,160.29	1,159,160.29
Total Operating Expenses	<u>\$ 17,930,801.06</u>	<u>\$ 2,091,178.42</u>	<u>\$ 3,926,089.50</u>	<u>\$ 4,490,491.72</u>	<u>\$ 616,140.30</u>	<u>\$ 1,159,160.29</u>	<u>\$ 30,213,861.29</u>

NOTE 11 - 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$14,109,009.63, of which \$11,011,610.36 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$956,908.94 and \$660,696.62, 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 \$956,908.94, \$900,891.34, and \$738,169.13, 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 12 - OTHER POSTEMPLOYMENT BENEFITS

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

The Plan's benefit and contribution provisions are established by 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$594,626.96, \$579,160.86, and \$504,088.64, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

\$48,451.09, \$47,586.08, and \$52,425.27, 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 13 - RISK MANAGEMENT

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

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

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

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

NOTE 14 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$438,275.00 and on other purchases were \$385,314.00 at June 30, 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 15 - BLENDED COMPONENT UNIT

Condensed combining information for the College's blended component unit, the Robeson Community College Service Corporation (Corporation), for the year ended June 30, 2014, is presented as follows:

***Condensed Statement of Net Position
June 30, 2014***

	College	Corporation	Total
ASSETS			
Current Assets	\$ 3,103,293.26	\$ 131,676.00	\$ 3,234,969.26
Capital Assets	23,875,065.12		23,875,065.12
Other Noncurrent Assets	412,767.35		412,767.35
	27,391,125.73	131,676.00	27,522,801.73
Total Assets			
Deferred Outflows of Resources	0.00		0.00
	0.00		0.00
LIABILITIES			
Current Liabilities	1,586,994.09		1,586,994.09
Noncurrent Liabilities	1,015,205.97		1,015,205.97
	2,602,200.06		2,602,200.06
Total Liabilities			
Deferred Inflows of Resources	0.00		0.00
	0.00		0.00
NET POSITION			
Investment in Capital Assets	23,875,065.12		23,875,065.12
Restricted - Expendable	880,192.57	114,680.00	994,872.57
Unrestricted	33,667.98	16,996.00	50,663.98
	24,788,925.67	131,676.00	24,920,601.67
Total Net Position	\$ 24,788,925.67	\$ 131,676.00	\$ 24,920,601.67

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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

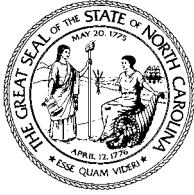
	<u>College</u>	<u>Corporation</u>	<u>Total</u>
OPERATING REVENUES			
Student Tuition and Fees, Net	\$ 825,199.02	\$ 0.00	\$ 825,199.02
Sales and Services, Net	289,298.60		289,298.60
Other, Net	124,385.37	273.00	124,658.37
Total Operating Revenues	<u>1,238,882.99</u>	<u>273.00</u>	<u>1,239,155.99</u>
OPERATING EXPENSES			
Operating Expenses	29,052,401.00	2,300.00	29,054,701.00
Depreciation	1,159,160.29		1,159,160.29
Total Operating Expenses	<u>30,211,561.29</u>	<u>2,300.00</u>	<u>30,213,861.29</u>
Operating Loss	<u>(28,972,678.30)</u>	<u>(2,027.00)</u>	<u>(28,974,705.30)</u>
NONOPERATING REVENUES (EXPENSES)			
State Aid	15,282,568.46		15,282,568.46
County Appropriations	2,100,000.00		2,100,000.00
Noncapital Grants - Federal Student Financial Aid	6,534,974.83		6,534,974.83
Other Noncapital Grants	7,141,954.49		7,141,954.49
Noncapital Gifts, Net	126,227.36		126,227.36
Investment Income	1,591.00		1,591.00
Other Nonoperating Expenses	(3,420,475.42)		(3,420,475.42)
Net Nonoperating Revenues	<u>27,766,840.72</u>		<u>27,766,840.72</u>
Capital Contributions	1,192,964.44		1,192,964.44
Capital Asset Impairment Loss	(90,000.00)		(90,000.00)
Total Revenues	33,619,163.57	273.00	33,619,436.57
Total Expenses	<u>(33,722,036.71)</u>	<u>(2,300.00)</u>	<u>(33,724,336.71)</u>
Decrease in Net Position	(102,873.14)	(2,027.00)	(104,900.14)
NET POSITION			
Net Position, July 1, 2013	<u>24,891,798.81</u>	<u>133,703.00</u>	<u>25,025,501.81</u>
Net Position, June 30, 2014	<u>\$ 24,788,925.67</u>	<u>\$ 131,676.00</u>	<u>\$ 24,920,601.67</u>

Condensed Statement of Cash Flows June 30, 2014

	<u>College</u>	<u>Corporation</u>	<u>Total</u>
Net Cash Provided (Used) by Operating Activities	\$ (27,579,684.85)	\$ 2,300.00	\$ (27,577,384.85)
Net Cash Provided (Used) by Noncapital Financing Activities	27,674,887.18		27,674,887.18
Net Cash Provided (Used) by Capital and Related Financing Activities	159,261.84		159,261.84
Net Cash Provided (Used) by Investing Activities	1,318.00	273.00	1,591.00
Net Increase (Decrease) in Cash and Cash Equivalents	255,782.17	2,573.00	258,355.17
Cash and Cash Equivalents, July 1, 2013	<u>1,761,054.92</u>	<u>133,874.00</u>	<u>1,894,928.92</u>
Cash and Cash Equivalents, June 30, 2014	<u>\$ 2,016,837.09</u>	<u>\$ 136,447.00</u>	<u>\$ 2,153,284.09</u>

[This Page Left Blank Intentionally]

Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
<http://www.ncauditor.net>

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

Board of Trustees
Robeson Community College
Lumberton, North Carolina

We have audited, 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 Robeson Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 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 22, 2015. Our report includes a reference to other auditors who audited the financial statements of the Robeson Community College Foundation, Inc. and Robeson Community College Services Corporation, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

April 22, 2015

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Telephone: 919-807-7500

Facsimile: 919-807-7647

Internet: <http://www.ncauditor.net>

To report alleged incidents of fraud, waste or abuse in state government contact the:

Office of the State Auditor Fraud Hotline: 1-800-730-8477

or download our free app



<https://play.google.com/store/apps/details?id=net.ncauditor.ncauditor>



<https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745>

For additional information contact:

Bill Holmes
Director of External Affairs
919-807-7513