

# STATE OF NORTH CAROLINA

**ROCKINGHAM COMMUNITY COLLEGE**

**WENTWORTH, NORTH CAROLINA**

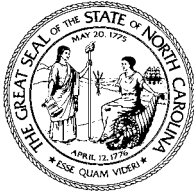
**FINANCIAL STATEMENT AUDIT REPORT**

**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**

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**AUDITOR'S TRANSMITTAL**

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

We have completed a financial statement audit of Rockingham 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".

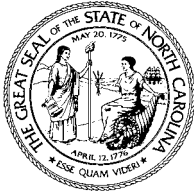
Beth A. Wood, CPA  
State Auditor

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# Office of the State Auditor



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## INDEPENDENT AUDITOR'S REPORT

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Board of Trustees  
Rockingham Community College  
Wentworth, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of Rockingham 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 Rockingham Community College Foundation, Inc., the College's discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for Rockingham Community College Foundation, Inc., are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Rockingham Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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

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

### Opinions

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

### Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

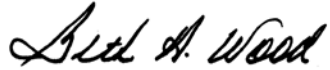
### Other Reporting Required by *Government Auditing Standards*

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

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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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

February 26, 2015

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**ROCKINGHAM COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Management's Discussion and Analysis**

An important part of Rockingham Community College's financial statements is the Management's Discussion and Analysis of the College's financial activities for the fiscal year ended June 30, 2014. Readers should consider this information in conjunction with the College's financial statements and related notes to the financial statements.

**Overview of the Financial Statements**

Rockingham Community College, along with all colleges in the North Carolina Community College System, prepared its financial statements in accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The College's activities are considered a single business-type entity and are reported within a single column in the basic financial statements. The financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows.

The Statement of Net Position reflects current and noncurrent assets and liabilities as well as net position. The Statement of Revenues, Expenses, and Changes in Net Position reflects the operating revenues and expenses of the College as well as nonoperating revenues and expenses. The financial activities of the College result in an increase or decrease in net assets during the fiscal year. The Statement of Cash Flows is prepared using the direct method and reflects the change in cash and cash equivalents during the fiscal year.

**Condensed Statement of Net Position**

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Current Assets	\$ 4,096,774.08	\$ 3,417,622.59	\$ 679,151.49	19.87%
Noncurrent Capital Assets, Net	18,536,103.54	18,339,451.01	196,652.53	1.07%
Other Noncurrent Assets	<u>693,707.08</u>	<u>345,691.36</u>	<u>348,015.72</u>	100.67%
Total Assets	<u>23,326,584.70</u>	<u>22,102,764.96</u>	<u>1,223,819.74</u>	5.54%
Deferred Outflows of Resources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
Current Liabilities	662,686.47	731,689.83	(69,003.36)	-9.43%
Noncurrent Liabilities	<u>448,306.31</u>	<u>621,798.39</u>	<u>(173,492.08)</u>	-27.90%
Total Liabilities	<u>1,110,992.78</u>	<u>1,353,488.22</u>	<u>(242,495.44)</u>	-17.92%
Deferred Inflows of Resources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
Investment in Capital Assets	18,536,103.54	18,339,451.01	196,652.53	1.07%
Restricted Net Assets	2,502,023.12	1,535,045.86	966,977.26	62.99%
Unrestricted	<u>1,177,465.26</u>	<u>874,779.87</u>	<u>302,685.39</u>	34.60%
Total Net Position	<u>\$ 22,215,591.92</u>	<u>\$ 20,749,276.74</u>	<u>\$ 1,466,315.18</u>	7.07%



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Total net position increased by 7% from 2013 to 2014. Total assets increased 5.5% mainly as a result of a cash gift restricted for capital expenditures. This gift is also primarily the reason for the increase in total assets and noncurrent assets. Total liabilities decreased by 17.9% due to a decrease in contracts payable from constructional contracts. Accompanied with a slight increase in capital assets, these changes resulted in the increase in the College's net position at June 30, 2014.

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

The Statement of Revenues, Expenses, and Changes in Net Position consists of total revenues of \$20,600,494.75 and total expenses of \$19,134,179.57, resulting in an overall increase in net position of \$1,466,315.18 at year-end.

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
<b>Operating Revenues</b>				
Student Tuition and Fees, Net	\$ 1,476,985.99	\$ 1,593,131.64	\$ (116,145.65)	-7.29%
Sales and Services, Net	538,457.07	556,505.32	(18,048.25)	-3.24%
Other Operating Revenues	84,663.30	93,609.66	(8,946.36)	-9.56%
<b>Total Operating Revenues</b>	<u>2,100,106.36</u>	<u>2,243,246.62</u>	<u>(143,140.26)</u>	-6.38%
<b>Operating Expenses</b>				
Salaries and Benefits	12,780,611.77	13,743,981.04	(963,369.27)	-7.01%
Supplies and Materials	2,044,163.65	2,563,980.97	(519,817.32)	-20.27%
Services	1,328,240.73	1,926,895.31	(598,654.58)	-31.07%
Scholarships and Fellowships	1,915,885.60	2,355,893.53	(440,007.93)	-18.68%
Utilities	541,909.41	480,924.67	60,984.74	12.68%
Depreciation	523,368.41	525,202.66	(1,834.25)	-0.35%
<b>Total Operating Expenses</b>	<u>19,134,179.57</u>	<u>21,596,878.18</u>	<u>(2,462,698.61)</u>	-11.40%
<b>Operating Loss</b>	<u>(17,034,073.21)</u>	<u>(19,353,631.56)</u>	<u>2,319,558.35</u>	-11.99%
<b>Nonoperating Revenues</b>				
State Aid	9,281,605.47	9,823,361.01	(541,755.54)	-5.51%
County Appropriations	2,164,473.00	2,164,473.00	-	0.00%
Noncapital Grants and Gifts	5,065,798.09	5,980,662.27	(914,864.18)	-15.30%
Other Nonoperating Revenues	8,814.26	10,426.16	(1,611.90)	-15.46%
<b>Nonoperating Revenues</b>	<u>16,520,690.82</u>	<u>17,978,922.44</u>	<u>(1,458,231.62)</u>	-8.11%
<b>Loss Before Other Revenues</b>	(513,382.39)	(1,374,709.12)	861,326.73	-62.66%
State Capital Aid	394,741.10	572,372.67	(177,631.57)	-31.03%
County Capital Aid	243,945.47	275,189.75	(31,244.28)	-11.35%
Capital Grants	1,341,011.00	447,938.00	893,073.00	199.37%
Additions to Endowments	0.00	100.58	(100.58)	-100.00%
<b>Increase (Decrease) in Net Position</b>	1,466,315.18	(79,108.12)	1,545,423.30	-1953.56%
Net Position, July 1	<u>20,749,276.74</u>	<u>20,828,384.86</u>	<u>(79,108.12)</u>	-0.38%
Net Position, June 30	<u>\$ 22,215,591.92</u>	<u>\$ 20,749,276.74</u>	<u>\$ 1,466,315.18</u>	7.07%

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

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The College's net position increased by \$1,466,315.18 from 2012-13 to 2013-14. This was largely due to an increase in capital grants which totaled \$1,341,011 and included grants for two major construction projects on campus. In addition, there were some other categories of revenues and expenses that experienced significant variances during this period. Overall, operating expenses decreased by 11.40% due to a decrease in appropriations from the state, resulting in fewer expenditures for salaries, supplies and services. Scholarships and fellowships decreased by 18.68% due to a decrease in financial aid resulting from lower enrollment. All operating revenues decreased as a result of lower enrollment. State capital aid decreased by 31.03% because of the College's decision to carry forward equipment funds into the 2014-15 fiscal year.

### **Analysis of Financial Position**

Based on the comparative data presented above, the College's management concluded that the College's financial position is slightly improved as compared to the previous fiscal year. The College's cash and cash equivalents increased by \$550,731, or 19.3%, due to capital grants and the carry forward of county funds to use in 2014-15. The College is in sound financial position with \$3.1 million in cash and cash equivalents at June 30, 2014.

The College continues to see its state funding decrease due to a decrease in enrollment and more cuts statewide. Reversions of appropriated funds back to the State are expected to continue. The College reverted \$529,573, or 4.5%, of its original state current operating funds allocation, at the beginning of the 2014-15 year. Previously, the College reverted \$693,674 in 2013-14, \$829,881 in 2012-13 and \$933,771, in 2011-12. The College has implemented strategic financial planning methods to deal with the decrease in funds.

### **Capital Asset Activity**

Capital assets totaled \$18,536,103.54 at June 30, 2014, net of accumulated depreciation, which represents an increase of 1.1% compared to 2012-13. The College considers this to be a nominal increase resulting from normal business operations.

### **Economic Factors and Next Year's Budget**

The College has experienced decreases in enrollment over the past four years and that trend is expected to continue in 2014-15. The College is adding new programs and increasing its focus on marketing in an effort to reverse that trend.

As the State's economic recovery continues to struggle, the College must plan for potential budget cuts in future years. This presents a challenge to the College as it provides services to its students and community.

**Rockingham Community College**  
**Statement of Net Position**  
**June 30, 2014**

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

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 1,676,914.33
Restricted Cash and Cash Equivalents	728,617.16
Receivables, Net (Note 4)	1,028,161.73
Due from State of North Carolina Component Units	236,406.24
Due from Community College Component Unit	129,502.29
Inventories	297,172.33

Total Current Assets	4,096,774.08
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	693,707.08
Capital Assets - Nondepreciable (Note 5)	1,239,659.24
Capital Assets - Depreciable, Net (Note 5)	17,296,444.30

Total Noncurrent Assets	19,229,810.62
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Total Assets	23,326,584.70
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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 6)	486,781.56
Due to Primary Government	822.09
Unearned Revenue	67,245.34
Funds Held for Others	7,756.87
Long-Term Liabilities - Current Portion (Note 7)	100,080.61

Total Current Liabilities	662,686.47
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Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	448,306.31
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Total Liabilities	1,110,992.78
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**DEFERRED INFLOWS OF RESOURCES**

Total Deferred Inflows of Resources	0.00
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**Rockingham Community College**  
**Statement of Net Position**  
**June 30, 2014**

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

**NET POSITION**

Investment in Capital Assets	18,536,103.54
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	186,249.81
Expendable:	
Scholarships and Fellowships	95,356.71
Loans	30,811.81
Capital Projects	1,789,594.32
Instructional Support	301,705.43
Student Support	44,399.46
Other	53,905.58
Unrestricted	<u>1,177,465.26</u>
Total Net Position	<u><u>\$ 22,215,591.92</u></u>

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

**Rockingham 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)	\$ 1,476,985.99
Sales and Services, Net (Note 9)	538,457.07
Other Operating Revenues	84,663.30
	<hr/>
Total Operating Revenues	2,100,106.36
	<hr/>

**EXPENSES**

Operating Expenses:	
Salaries and Benefits	12,780,611.77
Supplies and Materials	2,044,163.65
Services	1,328,240.73
Scholarships and Fellowships	1,915,885.60
Utilities	541,909.41
Depreciation	523,368.41
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Total Operating Expenses	19,134,179.57
	<hr/>
Operating Loss	(17,034,073.21)
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**NONOPERATING REVENUES**

State Aid	9,281,605.47
County Appropriations	2,164,473.00
Noncapital Grants - Student Financial Aid	4,174,189.04
Noncapital Grants	849,638.26
Noncapital Gifts	41,970.79
Investment Income	8,436.86
Other Nonoperating Revenues	377.40
	<hr/>
Nonoperating Revenues	16,520,690.82
	<hr/>
Loss Before Other Revenues	(513,382.39)
	<hr/>
State Capital Aid	394,741.10
County Capital Aid	243,945.47
Capital Grants	1,341,011.00
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Increase in Net Position	1,466,315.18

**NET POSITION**

Net Position, July 1, 2013	20,749,276.74
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Net Position, June 30, 2014	\$ 22,215,591.92
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The accompanying notes to the financial statements are an integral part of this statement.

**Rockingham 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	\$ 1,418,535.74
Payments to Employees and Fringe Benefits	(12,839,516.55)
Payments to Vendors and Suppliers	(4,033,262.49)
Payments for Scholarships and Fellowships	(1,902,120.19)
Loans Issued to Students	(3,398.47)
Collection of Loans to Students	3,108.09
Other Payments	(117,187.47)
	<hr/>
Net Cash Used by Operating Activities	(17,473,841.34)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	9,281,605.47
County Appropriations	2,164,473.00
Noncapital Grants - Student Financial Aid	4,174,189.04
Noncapital Grants	645,746.79
Noncapital Gifts	29,887.50
	<hr/>
Cash Provided by Noncapital Financing Activities	16,295,901.80

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

State Capital Aid Received	394,905.58
County Capital Aid	183,103.30
Capital Grants	1,837,011.00
Acquisition and Construction of Capital Assets	(694,546.35)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	1,720,473.53

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	8,197.73
	<hr/>
Cash Provided by Investing Activities	8,197.73

Net Increase in Cash and Cash Equivalents	550,731.72
Cash and Cash Equivalents, July 1, 2013	2,548,506.85
	<hr/>
Cash and Cash Equivalents, June 30, 2014	\$ 3,099,238.57

**Rockingham 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	\$ (17,034,073.21)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	523,368.41
Provision for Uncollectible Loans and Write-Offs	2,299.28
Nonoperating Other Income	377.40
Changes in Assets and Liabilities:	
Receivables, Net	(672,572.11)
Inventories	(24,980.70)
Notes Receivable, Net	(290.38)
Accounts Payable and Accrued Liabilities	(140,837.73)
Due to Primary Government	(5,723.79)
Unearned Revenue	4,766.90
Funds Held for Others	(117,564.87)
Compensated Absences	(8,610.54)
	<u>(8,610.54)</u>
Net Cash Used by Operating Activities	<u>\$ (17,473,841.34)</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 1,676,914.33
Restricted Cash and Cash Equivalents	728,617.16
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>693,707.08</u>
Total Cash and Cash Equivalents - June 30, 2014	<u>\$ 3,099,238.57</u>

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

Assets Acquired through Assumption of a Liability	\$ 198,641.82
Increase in Receivables Related to Nonoperating Income	28,566.53

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

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

**Exhibit B-1**

**ASSETS**

Cash and Cash Equivalents	\$	1,570,257
Certificates of Deposit		735,875
Promises Receivable - Building Futures Campaign		20,825
Special Collections		111,335
Marketable Investments - at Fair Value		15,504,489
Nonmarketable Investments - at Cost		700
		<hr/>
Total Assets		17,943,481

**NET ASSETS**

Unrestricted		9,690,300
Temporarily Restricted		2,421,684
Permanently Restricted		5,831,497
		<hr/>
Total Net Assets	\$	17,943,481

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



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

**Exhibit B-2**

**CHANGES IN UNRESTRICTED NET ASSETS, REVENUES,  
GAINS AND OTHER SUPPORT**

Revenues and Gains:	
Contributions	\$ 456,145
Endowment and Other Investment Income	1,756,347
Loss on Sale of Real Estate	(21,815)
	<hr/>
Total Gains and Other Support	2,190,677
Net Assets Released from Restrictions	201,297
	<hr/>
Total Unrestricted Revenues, Gains, and Other Support	2,391,974

**EXPENSES**

Program Expenses:	
Scholarships	131,599
Investment Fees	78,754
Approved Projects	542,046
Other Expenses	6,096
Civic Center Campaign Funds Returned	432
Building Futures Campaign Project	10
	<hr/>
Total Expenses	758,937
	<hr/>
Increase in Unrestricted Net Assets	1,633,037

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Contributions	68,610
Building Futures Campaign	86,197
Endowment and Other Investment Income	127,947
	<hr/>
Total	282,754
Net Assets Released from Restrictions	(201,297)
	<hr/>
Increase in Temporarily Restricted Net Assets	81,457

**CHANGES IN PERMANENTLY RESTRICTED NET ASSETS**

Contributions	289,327
Endowment and Other Investment Income	59,546
	<hr/>
Increase in Permanently Restricted Net Assets	348,873

Increase in Net Assets	2,063,367
Net Assets, July 1, 2013	15,880,114
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Net Assets, June 30, 2014	\$ 17,943,481

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

**ROCKINGHAM COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Discretely Presented Component Unit** – Rockingham Community College Foundation, Inc. (Foundation) is a legally separate nonprofit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 32 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 Foundation is a private nonprofit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Codification. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2014, the Foundation distributed \$667,650.01 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Rockingham Community College Foundation, Inc., Post Office Box 38, Wentworth, NC 27375-0038.

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

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

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

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

- D. Cash and Cash Equivalents** - This classification includes petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

- E. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 last invoice cost. Merchandise for resale is valued at cost using the retail inventory method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 to 75 years for general infrastructure, 75 years for buildings, and 15 to 25 years for equipment.

- H. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted for the acquisition or construction of capital assets, resources whose use is limited by external parties or statute, and endowment and other restricted investments.
- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at fiscal year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 - Nonexpendable** - Nonexpendable restricted net position includes endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

**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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

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

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

**N. 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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totaling \$7,650.00, and deposits in private financial institutions with a carrying value of \$956,918.51 and a bank balance of \$1,145,780.62.

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

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2014, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

The College is authorized to invest idle funds as provided by G.S. 115D-58.6. In accordance with this statute, the College and the Board of Trustees manage investments to ensure they can be converted into cash when needed.

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6 (d1) or in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or 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 \$2,134,670.06 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

investment risks associated with the State Treasurer’s Investment Pool (which includes the State Treasurer’s STIF) are included in the State of North Carolina’s *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller’s Internet home page <http://www.osc.nc.gov/> and clicking on “Reports” or by calling the State Controller’s Financial Reporting Section at (919) 707-0500.

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

Cash on Hand	\$	7,650.00
Carrying Amount of Deposits with Private Financial Institutions		956,918.51
Investments in the Short-Term Investment Fund		<u>2,134,670.06</u>
<b>Total Deposits and Investments</b>	<b>\$</b>	<b><u><u>3,099,238.57</u></u></b>
Deposits		
Current:		
Cash and Cash Equivalents	\$	1,676,914.33
Restricted Cash and Cash Equivalents		728,617.16
Noncurrent:		
Restricted Cash and Cash Equivalents		<u>693,707.08</u>
<b>Total Deposits</b>	<b>\$</b>	<b><u><u>3,099,238.57</u></u></b>

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

<b>Investment Type</b>	<u>Value</u>
Temporary Investments	\$ 655,600
Equities	9,676,152
Corporate Bonds - Nonconvertible	<u>5,172,737</u>
<b>Total Marketable Investments</b>	<b>\$ <u><u>15,504,489</u></u></b>

### NOTE 3 - DONOR RESTRICTED ENDOWMENTS

The College’s endowment assets are pooled with state agencies and similar institutions in short-term investments with the State Treasurer’s Cash and Investment Pool and are reported as restricted cash and cash equivalents -



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2014, net appreciation of \$1,031.52 was available to be spent, all of which was classified in net position as restricted: expendable: scholarships and fellowships as it is restricted for specific purposes.

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2014, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 363,845.68	\$ 149,101.91	\$ 214,743.77
Student Sponsors	13,190.43		13,190.43
Accounts	709,026.43	1,260.52	707,765.91
Intergovernmental	91,642.15		91,642.15
Investment Earnings	819.47		819.47
	<u>\$ 1,178,524.16</u>	<u>\$ 150,362.43</u>	<u>\$ 1,028,161.73</u>
<b>Total Current Receivables</b>	<u>\$ 1,178,524.16</u>	<u>\$ 150,362.43</u>	<u>\$ 1,028,161.73</u>

### NOTE 5 - 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	\$ 650,164.02	\$ 0.00	\$ 0.00	\$ 650,164.02
Construction in Progress	380,176.62	321,150.70	111,832.10	589,495.22
<b>Total Capital Assets, Nondepreciable</b>	<u>1,030,340.64</u>	<u>321,150.70</u>	<u>111,832.10</u>	<u>1,239,659.24</u>
Capital Assets, Depreciable:				
Buildings	20,186,764.63	116,617.23		20,303,381.86
Art, Literature, and Artifacts	3,682,968.24	307,141.24	35,447.60	3,954,661.88
General Infrastructure	1,899,487.05	86,943.87		1,986,430.92
<b>Total Capital Assets, Depreciable</b>	<u>25,769,219.92</u>	<u>510,702.34</u>	<u>35,447.60</u>	<u>26,244,474.66</u>
Less Accumulated Depreciation for:				
Buildings	6,638,969.44	304,776.64		6,943,746.08
Machinery and Equipment	1,471,858.12	181,076.22	35,447.60	1,617,486.74
General Infrastructure	349,281.99	37,515.55		386,797.54
<b>Total Accumulated Depreciation</b>	<u>8,460,109.55</u>	<u>523,368.41</u>	<u>35,447.60</u>	<u>8,948,030.36</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>17,309,110.37</u>	<u>(12,666.07)</u>	<u>0.00</u>	<u>17,296,444.30</u>
<b>Capital Assets, Net</b>	<u>\$ 18,339,451.01</u>	<u>\$ 308,484.63</u>	<u>\$ 111,832.10</u>	<u>\$ 18,536,103.54</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
<b>Current Accounts Payable and Accrued Liabilities:</b>	
Accounts Payable	\$ 137,717.80
Accrued Payroll	150,421.94
Contract Retainage	198,641.82
<b>Total Current Accounts Payable and Accrued Liabilities</b>	<b>\$ 486,781.56</b>

### NOTE 7 - LONG-TERM LIABILITIES

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

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Compensated Absences	\$ 556,997.46	\$ 427,311.16	\$ 435,921.70	\$ 548,386.92	\$ 100,080.61

### NOTE 8 - OPERATING LEASE OBLIGATIONS

Rental expense for all operating leases during the year was \$32,761.10. The College has no noncancelable operating leases requiring disclosure.

### 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
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees</b>	\$ 3,061,392.56	\$ 1,573,497.23	\$ 10,909.34	\$ 1,476,985.99
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Bookstore	\$ 1,100,412.76	\$ 616,122.56	\$ 22.62	\$ 484,267.58
Sales and Services of Education and Related Activities	54,189.49			54,189.49
<b>Total Sales and Services</b>	\$ 1,154,602.25	\$ 616,122.56	\$ 22.62	\$ 538,457.07

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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/ Amortization	Total
Instruction	\$ 6,733,385.46	\$ 653,119.15	\$ 254,126.53	\$ 0.00	\$ 0.00	\$ 0.00	\$ 7,640,631.14
Public Service	34,006.86	1,330.95	3,217.54				38,555.35
Academic Support	1,598,312.47	54,955.59	26,989.16				1,680,257.22
Student Services	1,106,370.21	47,681.45	174,362.19				1,328,413.85
Institutional Support	2,453,445.69	275,180.34	606,063.90				3,334,689.93
Operations and Maintenance of Plant	664,051.42	156,247.93	222,548.32		541,909.41		1,584,757.08
Student Financial Aid				1,915,885.60			1,915,885.60
Auxiliary Enterprises	191,039.66	855,648.24	40,933.09				1,087,620.99
Depreciation						523,368.41	523,368.41
<b>Total Operating Expenses</b>	<b>\$ 12,780,611.77</b>	<b>\$ 2,044,163.65</b>	<b>\$ 1,328,240.73</b>	<b>\$ 1,915,885.60</b>	<b>\$ 541,909.41</b>	<b>\$ 523,368.41</b>	<b>\$ 19,134,179.57</b>

### NOTE 11 - PENSION PLAN

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 \$9,866,788.09, of which \$8,198,642.23 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$712,462.01 and \$491,918.53, 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 \$712,462.01, \$702,074.17, and \$610,621.42, respectively.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 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 \$442,726.68, \$446,697.85, and \$410,363.86, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$36,074.03, \$37,084.35, and \$42,677.84, 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 employee dishonesty and computer fraud for employees paid from county funds through a policy with a private insurance company.

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.

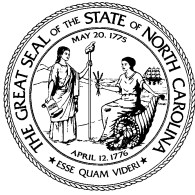
## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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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 \$189,920.85 and on other purchases were \$214,278.05 at June 30, 2014.

**Office of the State Auditor**

**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**

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Board of Trustees  
Rockingham Community College  
Wentworth, 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 Rockingham 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 February 26, 2015. Our report includes a reference to other auditors who audited the financial statements of Rockingham Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Rockingham Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Rockingham Community College Foundation, Inc.

Internal Control Over Financial Reporting

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

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



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prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

February 26, 2015

## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

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

Telephone: 919-807-7500

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

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For additional information contact:

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