



**STANLY COMMUNITY COLLEGE
FINANCIAL STATEMENT
AUDIT REPORT**

FYE June 30, 2013

Report to the Board of Trustees of
Stanly Community College

June 30, 2013



Stanly Community College
Report to the Board of Trustees



November 15, 2013

To the Board of Trustees
Stanly Community College
Albemarle, North Carolina

We are pleased to present this report related to our audit of the financial statements of Stanly Community College (the "College"), and its discretely presented component for the year ended June 30, 2013. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the College's financial reporting process.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Stanly Community College.

LB&A Certified Public Accountants, PLLC

LB&A, Certified Public Accountants, PLLC

Table of Contents

Contacts.....	1
Required Auditor Communications	2
Summary of Professional Services	4
Audit Summary	5
Communication on Internal Control Related Matters	6

Stanly Community College
Report to the Board of Trustees



Contacts

W. Christopher Chesson, CPA
Engagement Partner
LB&A, Certified Public Accountants, PLLC
1801 Stanley Road, Suite 220
Greensboro, NC 27407
336-235-2150 Ext 201
ChrisChesson@cpaRESULTS.net

James G. Lovell, CPA
Engagement Concurring Partner
LB&A, Certified Public Accountants, PLLC
212 West Matthews Street, Suite 102
Matthews, NC 28105
704-841-1120 Ext 107
JimLovell@cpaRESULTS.net

Required Auditor Communications

To the Board of Trustees
Stanly Community College
Albemarle, North Carolina

We have audited the financial statements of Stanly Community College (the "College") and its discretely presented component unit, as of and for the year ended June 30, 2013, and have issued our report thereon dated November 15, 2013. Professional standards require we advise you of the following matters related to our audit.

Area	Comments
Our Responsibilities with regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated December 5, 2012.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
Accounting Policies and Practices	<p>Preferability of Accounting Policies and Practices Under generally accepted principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p>Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the College. The College did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.</p> <p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting Estimates Summary information about the process used by</p>

Area	Comments
	management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the notes to the financial statement where applicable.
Basis of Accounting	The financial statements were prepared on assumption that the entity will continue as a going concern.
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit. There were no audit adjustments proposed by us.
Uncorrected Misstatements	There were no uncorrected misstatements noted by us.
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed with or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Letter Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting	We have separately communicated that there were no material weaknesses in internal control over financial reporting identified during our audit of the financial statements and this communication is attached with this required communication.
Significant Written Communications between Management and Our Firm	Copies of significant written communications between our firm and the management of the College, including the representation letter provided to us by management, are attached.

Summary of Professional Services

Services Performed

- Consultation on accounting matters as requested.
- Annual audit of financial statements
- Attendance at meetings as requested

The professional services listed above do not impair our independence under GAAS or GAGAS.

Audit Summary

Our report for the June 30, 2013 audit expresses an **unqualified opinion** on the fair presentation of the basic financial statements in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our reports on internal control over financial reporting and on compliance and other matters based on an audit performed in accordance with *Government Auditing Standards* disclosed no instances of non-compliance and no material weaknesses in controls.

Communication on Internal Control Related Matters

To the Board of Trustees
Stanly Community College
Albemarle, North Carolina

In planning and performing our audit of the financial statements of Stanly Community College (the "College"), and its discretely presented component unit as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the College's internal control over financial reporting (internal control) as a basis for designing 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of the Board of Trustees, management of the College, others within the entity, the Office of the State Auditor of North Carolina, and is not intended to be and should not be used by anyone other than those specified parties.

LB&A Certified Public Accountants, PLLC
LB&A, Certified Public Accountants, PLLC

November 15, 2013

Management's Discussion and Analysis **Stanly Community College**

This discussion and analysis of Stanly Community College's (the "College" or "SCC") financial statements has been prepared by management and provides an overview of the College's financial activities for the year ended June 30, 2013, with selected comparative data for the year ended June 30, 2012. Please read it in conjunction with the financial statements and notes to the financial statements.

Overview of the Financial Statements

Three basic financial statements are included with this report along with the management's discussion and analysis, the notes to the financial statements, and required supplementary information:

1. Statement of Net Assets
2. Statement of Revenues, Expenses, and Changes in Net Assets
3. Statement of Cash Flows

These three basic financial statements provide information on the whole operations of the College.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the institution as a whole and on its activities. These two reports help the users of this report to analyze the current year's operations to determine if the institution is better or worse off than the prior year. When revenues and other support exceed expenses, the result is an increase in net assets. When expenses exceed revenues and support, the result is a decrease in net assets.

The College's net assets are the difference between assets and liabilities and are one of the measures of the financial health of the institution. Over a period of time, increases or decreases in the College's net assets are one of several indicators that determine if its financial situation is improving or deteriorating. The user will need to take into account other financial and non-financial factors to assess the complete health of the College. The age and condition of its buildings and grounds are just a couple of the non-financial factors that could have an impact on the total health of the institution.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets use the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Revenues and expenses of the current year are taken into account regardless of when cash is received or paid.

This section is intended to provide a narrative analysis that users need to interpret the basic financial statements.

Institutional Financial Highlights

The College's financial position increased slightly during the fiscal year ended June 30, 2013. Its combined net assets increased by \$689,477.63 or 5.84% from the previous year's restated balance.

Stanly County allocated the college a total of \$1,397,960 for operational and capital expenses, an increase of \$10,000 over the previous year. The College utilized \$1,242,960 of these funds for current operational expenses and \$155,000 for capital outlay expenses.

The College experienced a 5% decrease in full time equivalent curriculum students for the year ended June 30, 2013. Curriculum FTE earned during 2012-13 was 2309, down from 2452 earned during 2011-12. This decrease was similar to enrollment downturns statewide.

Stanly Community College Foundation (a discretely presented component unit) received donations in the amount of \$198,743 during the 2012 calendar year.

Condensed Statement of Net Assets

For Fiscal Years Ended June 30, 2013, and June 30, 2012

	<u>2012-13</u>	<u>2011-2012</u>	<u>% Change</u>	<u>Dollar Change</u>
Current Assets	\$ 2,118,779.37	\$ 1,824,647.19	16.12%	\$ 294,132.18
Noncurrent Assets	\$ 33,138.78	\$ 188,888.78	100.00%	\$ (155,750.00)
Capital Assets	\$ 11,943,332.70	\$ 11,487,909.68	3.96%	\$ 455,423.02
Total Assets	<u>\$ 14,095,250.85</u>	<u>\$ 13,501,445.65</u>	4.40%	<u>\$ 593,805.20</u>
Current Liabilities	\$ 893,631.83	\$ 969,003.89	-7.78%	\$ (75,372.06)
Noncurrent Liabilities	\$ 700,693.18	\$ 720,993.55	-2.82%	\$ (20,300.37)
Total Liabilities	<u>\$ 1,594,325.01</u>	<u>\$ 1,689,997.44</u>	-5.66%	<u>\$ (95,672.43)</u>
Net Assets:				
Invested in Capital Assets	\$ 11,881,219.55	\$ 11,487,909.68	3.42%	\$ 393,309.87
Restricted	\$ 343,858.67	\$ 257,629.84	33.47%	\$ 86,228.83
Unrestricted	\$ 275,847.62	\$ 65,908.69	318.53%	\$ 209,938.93
Total Net Assets	<u>\$ 12,500,925.84</u>	<u>\$ 11,811,448.21</u>	5.84%	<u>\$ 689,477.63</u>

Net Assets increased by \$689,477.63. Current Assets increased by \$294,132.18, primarily in the area of cash. Inventories decreased slightly. Non-current assets decreased by \$155,750.00 due to the receipt of previously allocated Capital Project funds. Capital assets increased by \$455,423.02 primarily due to the acquisition of equipment as well as ongoing construction projects during the year. Current liabilities decreased by \$75,372.06, primarily due to decreases in Unearned Revenue, Accounts Payable and Accrued Payroll. Non-current liabilities decreased \$20,300.37.

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2013, and June 30, 2012**

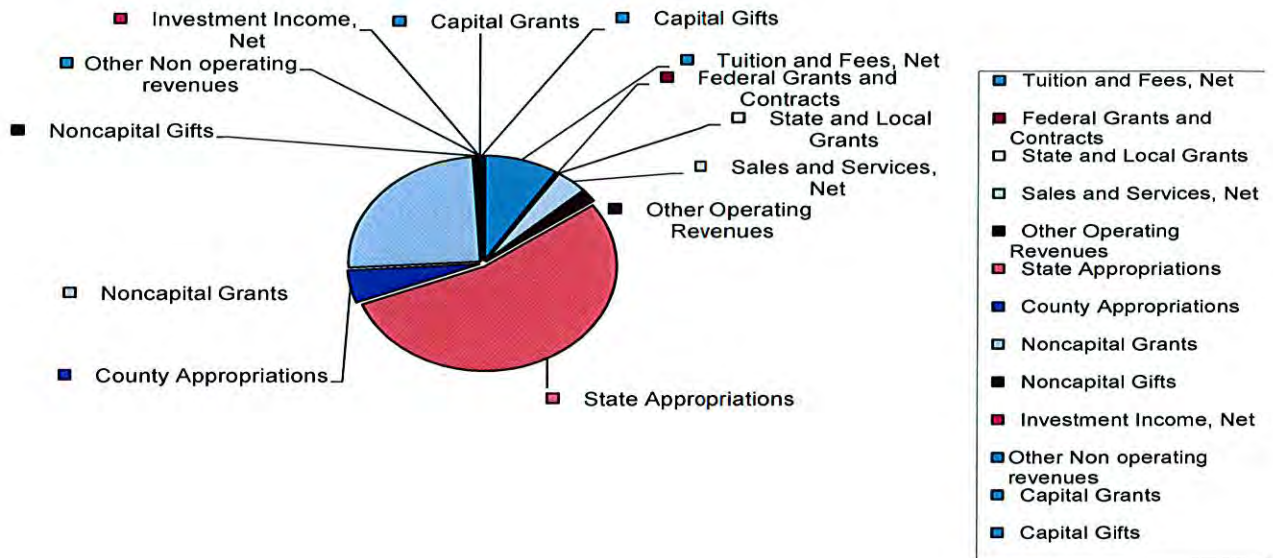
	<u>2012-13</u>	<u>2011-12</u>	<u>% Change</u>	<u>Dollar Change</u>
Operating Revenues:				
Tuition and Fees, Net	\$ 2,253,279.42	\$ 2,435,676.51	-7.49%	\$ (182,397.09)
Federal Grants and Contracts	\$ 48,286.88	\$ 347,721.93	-86.11%	\$ (299,435.05)
State and Local Grants	\$ 17,853.21	\$ 11,546.27	54.62%	\$ 6,306.94
Sales and Services, Net	\$ 968,999.55	\$ 891,866.12	8.65%	\$ 77,133.43
Other Operating Revenues	\$ 478,278.72	\$ 356,186.07	34.28%	\$ 122,092.65
Total Operating Revenues	\$ 3,766,697.78	\$ 4,042,996.90	-6.83%	\$ (276,299.12)
Total Operating Expenses	\$ 25,086,036.32	\$ 26,308,508.31	-4.65%	\$ (1,222,471.99)
Operating Loss	\$ (21,319,338.54)	\$ (22,265,511.41)	-4.25%	\$ 946,172.87
Nonoperating Revenues:				
State Appropriations	\$ 13,425,050.14	\$ 12,507,585.45	7.34%	\$ 917,464.69
County Appropriations	\$ 1,242,960.00	\$ 1,242,960.00	0.00%	\$ -
Noncapital Grants	\$ 6,194,177.75	\$ 7,253,962.41	-14.61%	\$ (1,059,784.66)
Noncapital Gifts	\$ 107,853.33	\$ 105,753.29	1.99%	\$ 2,100.04
Investment Income, Net	\$ 513.80	\$ 725.30	-29.16%	\$ (211.50)
Other Nonoperating Revenues, Net	\$ 31,598.61	\$ 36,936.87	-14.45%	\$ (5,338.26)
Net Nonoperating Revenues	\$ 21,002,153.63	\$ 21,147,923.32	-0.69%	\$ (145,769.69)
Loss Before Other Revenues	\$ (317,184.91)	\$ (1,117,588.09)	-71.62%	\$ 800,403.18
State Capital Appropriations	\$ 742,838.91	\$ 608,699.31	22.04%	\$ 134,139.60
County Capital Appropriations	\$ 155,000.00	\$ 145,000.00	6.90%	\$ 10,000.00
Capital Grants	\$ 108,823.63	\$ 377,676.10	-71.19%	\$ (268,852.47)
Increase in Net Assets	\$ 689,477.63	\$ 13,787.32	4900.81%	\$ 675,690.31
Net Assets Beginning of Year	\$ 11,811,448.21	\$ 11,797,660.89	0.12%	\$ 13,787.32
Net Assets - End of Year	\$ 12,500,925.84	\$ 11,811,448.21	5.84%	\$ 689,477.63

Operating revenues decreased by \$276,299.12, or -6.83%, primarily due to the decrease in enrollment. Tuition and fee income decreased by \$182,397.09. Sales and Services income increased by \$77,133.43, and Other Operating Revenues increased by \$122,092.65. The Tuition and fee income decrease was due to the decrease in enrollment. The increase in Sales and Services represents the new operation of a CISCO Academy at the College. Federal grants and contracts decreased by \$299,435.05 and State Grants and Contracts increased by \$6,306.94. Non-Operating revenues decreased by \$145,769.69 primarily due to decreases in Federal Financial Aid over the previous year, due to enrollment decline. Operating expenses decreased by \$1,222,471.99 or -4.65%, primarily in all areas except Utilities, which increased somewhat. This resulted in a favorable decline in operating loss of \$946,172.87 or -4.25%.

Revenues:

Total revenues for fiscal year ended June 30, 2013, were \$ 25,775,513.95 while total revenues for June 30, 2012 were \$26,322,295.63. The decrease of \$546,781.68, or 2.1% is described above, and is closely tied to the decrease in enrollment.

The following chart depicts graphically the revenues of the College’s activities for the fiscal year.

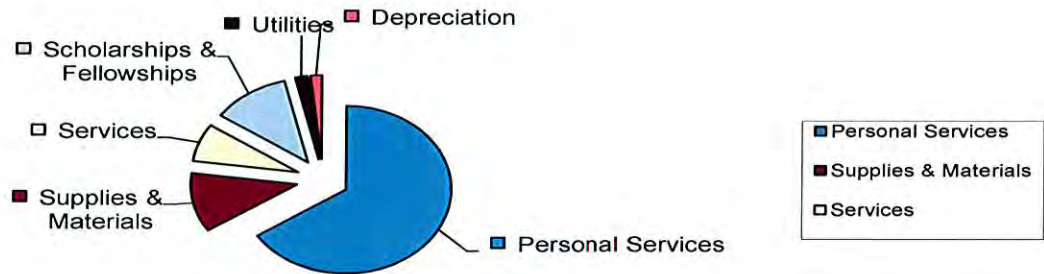


Expenditures

The following chart represents expenses of Stanly Community College by activities for the fiscal year:

	<u>2012-13</u>	<u>2011-12</u>	<u>% Change</u>	<u>Increase (Decrease)</u>
Operating Expenses By Function				
Personal Services	\$ 16,495,098	\$ 16,532,207.75	0%	\$ (37,109.79)
Supplies & Materials	\$ 2,861,635	\$ 3,340,126.76	-14%	\$ (478,491.76)
Services	\$ 1,839,793	\$ 1,699,492.90	8%	\$ 140,300.26
Scholarships & Fellowships	\$ 2,972,966	\$ 3,547,352.35	-16%	\$ (574,386.59)
Utilities	\$ 470,470	\$ 433,603.93	9%	\$ 36,866.03
Depreciation	\$ 446,074	\$ 755,724.62	-41%	\$ (309,650.14)
Total Operating Expenses	\$ 25,086,036.32	\$ 26,308,508.31	-5%	\$ (1,222,471.99)

The following is a graphic illustration of total operating expenses for June 30, 2013:



Capital Assets

At June 30, 2013, the College's capital assets totaled \$11,943,332.70, net of accumulated depreciation of \$9,038,688.27. This balance was greater than the \$11,487,909.68 in capital assets shown on the College's June 30, 2012 financial statements. The increase is primarily due to additional equipment purchases, as well as an increase in construction activity. Details of capital assets at June 30, 2013, and June 30, 2012, are shown below.

	<u>2012-13</u>	<u>2011-12</u>	<u>Dollar Change</u>
Capital Assets, Nondepreciable:			
Land	\$ 716,298.60	\$ 705,187.38	\$ 11,111.22
Construction In Progress	\$ 413,622.47	\$ 11,111.22	\$ 402,511.25
Total Capital Assets, Nondepreciable	<u>\$ 1,129,921.07</u>	<u>\$ 716,298.60</u>	<u>\$ 413,622.47</u>
Capital Assets, Depreciable (Net):			
Buildings	\$ 7,887,832.34	\$ 8,244,202.08	\$ (356,369.74)
General Infrastructure	\$ 718,048.66	\$ 665,460.67	\$ 52,587.99
Machinery and Equipment	\$ 2,207,530.63	\$ 1,861,948.33	\$ 345,582.30
Total Capital Assets, Depreciable (Net)	<u>\$ 10,813,411.63</u>	<u>\$ 10,771,611.08</u>	<u>\$ 41,800.55</u>
Total Capital Assets	<u><u>\$ 11,943,332.70</u></u>	<u><u>\$ 11,487,909.68</u></u>	<u><u>\$ 455,423.02</u></u>

Analysis of the Overall Financial Position

Stanly Community College continues to be a viable component of education in Stanly County. Program offerings are continually reviewed to provide for the education needs of the County. Grant funds are constantly being sought to assist with funding of new programs and initiatives.

Stanly Community College is well positioned to meet the needs of its growing community. The College strives to maintain a strong financial base and will continue to be an asset to its service area for many years.

Economic Factors that Will Affect the Future

The economic position of the College is closely tied to that of the State and to a lesser degree, the County. The College received its 2013-14 net State budget allocation of \$17,279,699 in August 2013. This represented a decrease of \$379,877 or 2.1%, from the previous year's initial net allocation. This net allocation reflected the fact that Colleges were instructed to immediately revert a portion of their formula budget (less projected receipts) as a Management Flexibility Reduction. For Stanly Community College, this reversion amounted to \$972,077, and is reflected in the net amount above. Additionally, Colleges were advised by NCCCS to hold in reserve 1% of their budget for possible reversion, in the event of declines in State revenues during the year. Stanly Community College experienced enrollment decline of 5% for the 2012-13 academic year. FTE enrollment for Fall 2013 is anticipated to decline by an additional 5%.

The College received county appropriations of \$1,427,820 for 2013-2014. This increase was made to allow the College to make energy efficient repairs, thus reducing future operational costs.

Stanly Community College has begun several other new initiatives as well. The College continued implementation of its document imaging initiative by focusing on the Financial Aid area. Construction began on the Signature Campus project at the Crutchfield Campus in Locust. This project involves renovating the building to accommodate all of the College's Allied Health programs on that campus. Phase I of that project was completed in August, 2013, with Phase II expected to begin in the winter of 2013-14. In May of 2013, the College also began a capital campaign to raise \$3,000,000 to renovate the Advanced Manufacturing & Industrial Training Center, as well as the Annex Building, in order to expand the welding, machining and HVAC programs and add Mechatronics.

Despite the economic downturn that has impacted all of the Community Colleges, Stanly Community College continues to provide much needed training and course offerings in a diverse range of course offerings.

Stanly Community College
Statement of Net Position
June 30, 2013

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	697,890.54
Restricted Cash and Cash Equivalents		446,802.24

Receivables, Net (Note 3)		722,114.27
---------------------------	--	------------

Inventories		<u>251,972.32</u>
-------------	--	-------------------

Total Current Assets		<u>2,118,779.37</u>
----------------------	--	---------------------

Noncurrent Assets:

Restricted Due from Primary Government		33,138.78
--	--	-----------

Capital Assets - Nondepreciable (Note 4)		1,129,921.07
--	--	--------------

Capital Assets - Depreciable, Net (Note 4)		<u>10,813,411.63</u>
--	--	----------------------

Total Noncurrent Assets		<u>11,976,471.48</u>
-------------------------	--	----------------------

Total Assets		<u>14,095,250.85</u>
--------------	--	----------------------

Stanly Community College
Statement of Net Position
June 30, 2013

Exhibit A-1
Page 2 of 2

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	342,516.21
Unearned Revenue	369,028.11
Funds Held for Others	126,311.99
Long-Term Liabilities - Current Portion (Note 6)	55,775.52

Total Current Liabilities 893,631.83

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	700,693.18
--------------------------------	------------

Total Noncurrent Liabilities 700,693.18

Total Liabilities 1,594,325.01

NET POSITION

Net Investment in Capital Assets 11,881,219.55

Restricted for:

Expendable:

Loans	11,246.15
Capital Projects	224,445.17
Restricted for Specific Programs	0.00
Other	108,167.35

Unrestricted 275,847.62

Total Net Position \$ 12,500,925.84

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

Stanly Community College
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2013

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 9)	\$ 2,253,279.42
Federal Grants and Contracts	48,286.88
State and Local Grants and Contracts	17,853.21
Sales and Services, Net (Note 9)	968,999.55
Other Operating Revenues	478,278.72
	<hr/>
Total Operating Revenues	3,766,697.78

EXPENSES

Operating Expenses:	
Salaries and Benefits	16,495,097.96
Supplies and Materials	2,861,635.00
Services	1,839,793.16
Scholarships and Fellowships	2,972,965.76
Utilities	470,469.96
Depreciation/ Amortization	446,074.48
	<hr/>
Total Operating Expenses	25,086,036.32
	<hr/>
Operating Loss	(21,319,338.54)

NONOPERATING REVENUES (EXPENSES)

State Aid	13,425,050.14
County Appropriations	1,242,960.00
Noncapital Grants - Student Financial Aid	5,840,157.01
Noncapital Grants	354,020.74
Noncapital Gifts, Net (Note 9)	107,853.33
Investment Income, Net	513.80
Other Nonoperating Revenues (Expenses)	31,598.61
	<hr/>
Net Nonoperating Revenues	21,002,153.63
	<hr/>
Income Before Other Revenues, Expenses, Gains, and Losses	(317,184.91)
	<hr/>
State Capital Aid	742,838.91
County Capital Aid	155,000.00
Capital Gifts, Net (Note 9)	108,823.63
	<hr/>
Increase (Decrease) in Net Position	689,477.63

NET POSITION

Net Position, July 1, 2012	<hr/> 11,811,448.21
Net Position, June 30, 2013	<hr/> \$ 12,500,925.84 <hr/>

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

Stanly Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 3,745,421.40
Payments to Employees and Fringe Benefits	(16,474,513.24)
Payments to Vendors and Suppliers	(5,165,206.46)
Payments for Scholarships and Fellowships	(2,972,965.76)
Other Receipts (Payments)	<u>39,542.06</u>
Net Cash Provided (Used) by Operating Activities	<u>(20,827,722.00)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	13,425,050.14
County Appropriations	1,242,960.00
Noncapital Grants - Student Financial Aid	5,840,157.01
Noncapital Grants Received	324,861.34
Noncapital Gifts and Endowments Received	<u>107,853.33</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>20,940,881.82</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	898,588.91
County Capital Aid	155,000.00
Capital Gifts Received	108,823.63
Acquisition and Construction of Capital Assets	(811,071.74)
Principal Paid on Capital Debt and Leases	<u>(146,169.30)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>205,171.50</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	<u>513.80</u>
Net Cash Provided (Used) by Investing Activities	<u>513.80</u>
Net Increase (Decrease) in Cash and Cash Equivalents	318,845.12
Cash and Cash Equivalents, July 1, 2012	<u>825,847.66</u>
Cash and Cash Equivalents, June 30, 2013	<u>\$ 1,144,692.78</u>

Stanly Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

Exhibit A-3
Page 2 of 2

RECONCILIATION OF OPERATING LOSS

TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (21,319,338.54)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/ Amortization Expense	446,074.48
Miscellaneous Nonoperating Income	48,581.67
Changes in Assets and Liabilities:	
Receivables, Net	(18,805.71)
Inventories	23,306.91
Accounts Payable and Accrued Liabilities	(13,112.91)
Unearned Revenue	(2,470.67)
Funds Held for Others	(9,039.61)
Compensated Absences	17,082.38
Net Cash Used by Operating Activities	<u>\$ (20,827,722.00)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 697,890.54
Restricted Cash and Cash Equivalents	446,802.24
Total Cash and Cash Equivalents - June 30, 2013	<u>\$ 1,144,692.78</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 107,408.82
Loss on Disposal of Capital Assets	(16,983.06)

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

Stanly Community College Foundation, Inc.
Statement of Financial Position
June 30, 2013

Exhibit B-1

SCC Foundation, Inc.

ASSETS

Cash and Cash Equivalents	\$ 107,672.00
Investments	1,643,387.00
Receivables, Net	5,829.00
Pledges Receivable/Promises	1,446.00
Property and Equipment, Net	1,073,133.00

Total Assets 2,831,467.00

LIABILITIES

Accounts Payable and Accrued Expenses	<u>373.00</u>
---------------------------------------	---------------

Total Liabilities 373.00

NET ASSETS

Unrestricted	481,102.00
Temporarily Restricted	789,081.00
Permanently Restricted	1,560,911.00

Total Net Assets \$ 2,831,094.00

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

Stanly Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2013

Exhibit B-2

SCC Foundation, Inc.

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and Gains:	
Contributions	\$ 11,848.00
Fees	110.00
Income on Long-Term Investments	938.00
Other Investment Income	46.00
Net Unrealized and Realized Gains on Long-Term Investments	1,579.00
Other	0.00
Total Unrestricted Revenues and Gains	<u>14,521.00</u>
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	<u>249,391.00</u>
Total Net Assets Released from Restrictions	<u>249,391.00</u>
Total Unrestricted Revenues, Gains, and Other Support	<u>263,912.00</u>
Expenses and Losses:	
Program A	352,673.00
Management and General	36,615.00
Fund Raising	2,935.00
Total Expenses	<u>392,223.00</u>
Loss	<u>0.00</u>
Total Expenses and Losses	<u>392,223.00</u>
Increase/(Decrease) in Unrestricted Net Assets	<u>(128,311.00)</u>

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions	186,895.00
Other	29,961.00
Income on Long-Term Investments	173,506.00
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	<u>(249,391.00)</u>
Increase/(Decrease) in Temporarily Restricted Net Assets	<u>140,971.00</u>

Stanly Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	<u>SCC Foundation, Inc.</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	
Contributions	0.00
Income on Long-Term Investments	0.00
Net Unrealized and Realized Gains on Long-Term Investments	<u>0.00</u>
Increase/(Decrease) in Permanently Restricted Net Assets	<u>0.00</u>
Increase/(Decrease) in Net Assets	12,660.00
Net Assets at Beginning of Year	<u>2,818,434.00</u>
Net Assets at End of Year	<u>\$ 2,831,094.00</u>

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

STANLY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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. Stanly Community College (the "College" or "SCC") 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 unit is discretely presented in the College's financial statements. The blended component unit, although legally separate, is, in substance, part of the College's operations and therefore, is reported as if they were part of the College. Discretely presented component units' financial data is reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness

Discretely Presented Component Units – The Stanly Community College Foundation, Inc. is a legally separate not-for-profit corporations and is reported as discretely presented component unit based on the nature and significance of its relationship to the College.

The Stanly Community College Foundation, Inc. is a legally separate, tax-exempt component unit of 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 30 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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

reported in separate financial statements because of the difference in its reporting model, as described below.

The Stanly Community College Foundation, Inc. is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Financial statements for the College and its discretely presented component unit are presented as of and for the fiscal year ended June 30, 2013, except for Stanly Community College Foundation, Inc. whose financial statements are as of and for the fiscal year ended December 31, 2012.

During the year ended June 30, 2013, the Foundation distributed \$217,532.48 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Rebecca Wall, Treasurer, Stanly Community College Foundation, Inc., 141 College Drive, Albemarle, NC 28001.

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

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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply FASB pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

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

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, savings accounts, money market 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. Investments** - Investments generally are reported at fair value, as determined by quoted market prices or estimated amounts determined by management if quoted market prices are not available. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.
- F. 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, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

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 except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater.

Depreciation is computed using the straight-line and/or units of output method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 100 years for buildings, and 2 to 30 years for equipment, and 2 to 30 years for computer software.

- I. 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.
- J. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include notes payable, capital lease obligations, and compensated absences that will not be paid within the next fiscal year.
- K. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous June 30 plus the leave earned, less the leave taken between July 1 and June 30.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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 calendar 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.

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

Net Investment in Capital Assets - This represents the College's total investment in capital assets, net of outstanding debt obligations related to those 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 include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

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

M. 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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or 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.

- N. 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.

- O. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as the College Bookstore.

In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

- P. 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

- 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 \$1,075.00, and deposits in private financial institutions with a carrying value of \$1,143,617.78 and a bank balance of \$1,821,009.24.

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.

- B. Investments** - 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, 2013, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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, 2013, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$3098.15 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 1.5 years as of June 30, 2013. 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.

Investments of the College's component unit, the 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.

Component Units - Investments of the College's discretely presented component unit, the Stanly 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 Stanly Community College Foundation, Inc. reports under the FASB reporting model, disclosures of

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

the various investment risks are not required. The following is an analysis of investments by type:

	Gross Cost	Fair Value	Carrying Value
Cash & Cash Equivalents	\$ 206,204.30	\$ 36,804.00	\$ 36,804.00
Equity Mutual Funds	1,136,394.56	1,072,675.94	1,072,675.94
Fixed Income Funds	246,318.18	533,907.09	533,907.09
Total Investments	\$ 1,588,917.04	\$ 1,643,387.03	\$ 1,643,387.03

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2013, is as follows:

Cash on Hand	\$ 1,075.00
Carrying Amount of Deposits with Private Financial Institutions	1,140,519.63
Investments in the Short-Term Investment Fund	3,098.15
Other Investments	
Total Deposits and Investments	\$ 1,144,692.78
Current:	
Cash and Cash Equivalents	\$ 697,890.54
Restricted Cash and Cash Equivalents	446,802.24
Short-Term Investments	
Total Deposits and Investments	\$ 1,144,692.78

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 548,151.17	\$ 69,415.47	\$ 478,735.70
Student Sponsors	68,514.57		68,514.57
Accounts	203,996.26	44,816.72	159,179.54
Intergovernmental	9,498.53		9,498.53
Other	6,185.93		6,185.93
Total Current Receivables	\$ 836,346.46	\$ 114,232.19	\$ 722,114.27
Noncurrent Receivables:			
Intergovernmental	\$ 33,138.78	\$ 0.00	\$ 33,138.78
Total Noncurrent Receivables	\$ 33,138.78	\$ 0.00	\$ 33,138.78

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2013, is presented as follows:

	Balance July 1, 2012 (as restated)	Increases	Decreases	Balance June 30, 2013
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 705,187.38	\$	\$	\$ 705,187.38
Art, Literature, and Artifacts				0.00
Construction in Progress	11,111.22	413,622.47		424,733.69
Computer Software in Development				0.00
Other [Describe]				0.00
Total Capital Assets, Nondepreciable	716,298.60	413,622.47	0.00	1,129,921.07
Capital Assets, Depreciable:				
Buildings	14,564,617.00	32,081.59		14,596,698.59
Machinery and Equipment	3,115,833.73	447,797.00	15,933.31	3,547,697.42
Art, Literature, and Artifacts				0.00
General Infrastructure	1,725,897.66	24,979.50	43,173.27	1,707,703.89
Computer Software				0.00
Other [Describe]				0.00
Other Intangible Assets				0.00
Total Capital Assets, Depreciable	19,406,348.39	504,858.09	59,106.58	19,852,099.90
Less Accumulated Depreciation/Amortization for:				
Buildings	6,320,414.92	388,451.33		6,708,866.25
Machinery and Equipment	1,253,885.40	98,663.51	12,382.12	1,340,166.79
Art, Literature, and Artifacts				0.00
General Infrastructure	1,060,436.99	(41,040.36)	29,741.40	989,655.23
Computer Software				0.00
Other [Describe]				0.00
Other Intangible Assets				0.00
Total Accumulated Depreciation/Amortization	8,634,737.31	446,074.48	42,123.52	9,038,688.27
Total Capital Assets, Depreciable, Net	10,771,611.08	58,783.61	16,983.06	10,813,411.63
Capital Assets, Net	\$ 11,487,909.68	\$ 472,406.08	\$ 16,983.06	\$ 11,943,332.70

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2013, were as follows:

	<u>Amount</u>
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 102,977.84
Accrued Payroll	200,416.30
Contract Retainage	7,950.00
Intergovernmental Payables	31,172.07
Other	
Total	\$ 342,516.21

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 6 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2013, is presented as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Notes Payable	\$ 108,823.63	\$	\$ 108,823.63	\$ 0.00	\$
Capital Leases Payable		99,458.82	37,345.67	62,113.15	31,056.46
Compensated Absences	677,273.17	406,873.46	389,791.08	694,355.55	24,719.06
Annuities Payable				0.00	
Pollution Remediation Payable				0.00	
Total Long-Term Liabilities	\$ 786,096.80	\$ 506,332.28	\$ 535,960.38	\$ 756,468.70	\$ 55,775.52

Additional information regarding capital lease obligations is included in Note 1.

NOTE 7 - LEASE OBLIGATIONS

A. Capital Lease Obligations - Capital lease obligations relating to technology equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2013:

Fiscal Year	Amount
2014	\$ 31,056.46
2015	31,056.69
Total Minimum Lease Payments	62,113.15
Amount Representing Interest (3.75% Rate of Interest)	
Present Value of Future Lease Payments	\$ 62,113.15

Machinery and equipment acquired under capital lease amounted to \$99,458.82 at June 30, 2013.

Depreciation for the capital assets associated with capital leases is included in depreciation expense.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

- B. Operating Lease Obligations** - The College entered into operating leases for equipment and facilities. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2013:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 134,497.85
2015	88,638.57
2016	51,026.89
2017	5,100.00
2018	5,100.00
2019-2023	\$ 25,500.00
Total Minimum Lease Payments	\$ 309,863.31

Rental expense for all operating leases during the year was \$189,972.69.

NOTE 8 - OPERATING LEASE REVENUES

Future minimum lease revenues under the non-cancelable operating lease related to wireless broadband services are recorded when earned. These future minimum lease revenues consist of the following at June 30, 2013.

<u>Fiscal Year</u>	<u>Amount</u>
2013	44,310.96
2014	44,310.96
2015	44,310.96
2016 - 2020	221,554.80
2021 - 2025	221,554.80
2026 - 2030	221,554.80
2031 - 2035	221,554.80
2036	43,310.96
Total Minimum Lease Payments	\$ 1,062,463.04

Rental revenue for the operating lease during the year was \$48,003.54.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles*	Less Indigent Care and Contractual Adjustments	Net Revenues
Operating Revenues:						
Student Tuition and Fees	\$ 4,571,338.61	\$	\$ 2,243,690.52	\$ 74,368.67	\$	\$ 2,253,279.42
Sales and Services:						
Sales and Services of Auxiliary Enterprises:						
Dining	\$ 4,018.41	\$	\$	\$	\$	\$ 4,018.41
Bookstore	1,968,263.65	18,122.09	1,094,874.06	39,863.52	\$	815,403.98
Other	149,577.16	\$	\$	\$	\$	149,577.16
Sales and Services of Education and Related Activities						0.00
Independent Operations						0.00
Total Sales and Services	\$ 2,121,859.22	\$ 18,122.09	\$ 1,094,874.06	\$ 39,863.52	\$ 0.00	\$ 968,999.55
Nonoperating - Noncapital Gifts	\$ 107,853.33	\$	\$	\$	\$	\$ 107,853.33
Capital Gifts	\$ 108,823.63	\$	\$	\$	\$	\$ 108,823.63

* Note: 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/ Amortization	Total
Instruction	\$ 9,772,888.57	\$ 932,164.97	\$ 372,483.48	\$ 0.00	\$ 58,265.30	\$ 0.00	\$ 11,135,802.32
Research	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Academic Support	1,924,403.33	116,953.49	122,030.96	0.00	0.00	0.00	2,163,387.78
Student Services	1,306,685.94	22,907.03	169,743.09	0.00	0.00	0.00	1,499,336.06
Institutional Support	2,759,645.90	243,671.33	853,944.49	0.00	0.00	0.00	3,857,261.72
Operations/Maintenance of Plant	483,761.27	138,349.80	148,556.51	0.00	383,704.66	0.00	1,154,372.24
Student Financial Aid	0.00	0.00	12,820.04	2,972,965.76	0.00	0.00	2,985,785.80
Auxiliary Enterprises	247,712.95	1,407,588.38	160,214.59	0.00	28,500.00	0.00	1,844,015.92
Depreciation/Amortization	0.00	0.00	0.00	0.00	0.00	446,074.48	446,074.48
Total Operating Expenses	\$ 16,495,097.96	\$ 2,861,635.00	\$ 1,839,793.16	\$ 2,972,965.76	\$ 470,469.96	\$ 446,074.48	\$ 25,086,036.32

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 11 - PENSION PLANS

- A. **Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System (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, 2013, these rates were set at 8.33% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$13,016,450.74, of which \$10,175,829.17 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$(A)847,646.57 and \$(B)610,549.02, respectively.

Required employer contribution rates for the years ended June 30, 2012, and 2011, were 7.44% and 4.93%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2013, 2012, and 2011, which were \$1,458,195.59, \$1,388,911.20, and \$1,156,033.00, 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.

- (A) **8.33% of TSERS covered payroll**
(B) **6% of TSERS covered payroll**

B. Deferred Compensation and Supplemental Retirement Income Plans

Internal Revenue Code Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$26,879.00 for the year ended June 30, 2013.

Internal Revenue Code Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College except for a 5% employer contribution for the College's law enforcement officers, which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of College law enforcement officers for the year ended June 30, 2013, were \$2,388.40. The voluntary contributions by employees amounted to \$136,773.00 for the year ended June 30, 2013.

Internal Revenue Code Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$-0- for the year ended June 30, 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

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

The Plan's benefit and contribution provisions are established by the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees as authorized by Chapter 135, Article 3B, of the General Statutes. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the Fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees.

For the current fiscal year the College contributed 5.30% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2012, and 2011, were 5.0% and 4.9%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2013, 2012, and 2011, which were \$539,318.95, \$517,460.43, and \$518,258.21, 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*

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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, 2013, 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, 2012, and 2011, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2013, 2012, and 2011, which were \$44,773.65, \$53,815.88, and \$54,998.83, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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 purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 14 - COMMITMENTS AND CONTINGENCIES

- A. **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 \$134,902.34 and on other purchases were \$103,803.94 at June 30, 2013.

NOTE 15 - RELATED PARTIES

Foundation – The Stanly community College Foundation, Inc. is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net position, or operational transactions of the Foundation, except for support from the Foundation. This support approximated \$217,532.48 for the year ended June 30, 2013.

The College had a note payable to the Foundation for the Gateway Project to renovate the entrance to the campus. In April, 2013, the SCC Foundation forgave the balance of that note.

The Foundation also provides the College with use of property and equipment located on the campus. The use of these assets is provided at no cost to the College.

NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2013, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements

GASB Statement No. 61, The Financial Reporting Entity – Omnibus – An Amendment of GASB Statements No. 14 and No. 34

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

GASB Statement No. 60 sets forth criteria used to establish when a Service Concession Arrangement exists, and the various reporting and disclosure requirements related to both transferors and governmental operators in such an arrangement.

GASB Statement No. 61 sets forth additional requirements for identifying component units, blending identified component units, presenting condensed combining information for blended component units, and accounting for certain equity interests.

GASB Statement No. 62 does not propose any new guidance. The purpose of this statement is to incorporate into the GASB's authoritative literature certain guidance from Pre-November 1989 FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins from the AICPA Committee on Accounting Procedure.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

The college has evaluated subsequent events through September 13, 2013, which is the date the financial statements were available to be issued.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 17 - COST OF CPA AUDIT REPORT PUBLISHED

Pursuant to North Carolina General Statutes, Chapter 147, Article 5A, § 147-64.6D "Cost of CPA audit report published", each audit report prepared for a North Carolina State agency by a Certified Public Accountant is required to disclose the number of hours used in conducting the audit and in preparation of the audit report and the total cost of conducting the audit and preparing the audit report. For the year ended June 30, 2013, 228 hours were used to conduct the audit and prepare the report. The cost to the College for conducting the audit and preparing the audit report was \$16,300.