

# **STATE OF NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**SAMPSON COMMUNITY COLLEGE**

**CLINTON, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2004**

**OFFICE OF THE STATE AUDITOR**

**LESLIE W. MERRITT, JR., CPA, CFP**

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**SAMPSON COMMUNITY COLLEGE**

**CLINTON, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2004**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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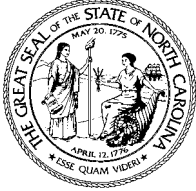
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Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

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## AUDITOR'S TRANSMITTAL

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The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
Board of Trustees, Sampson Community College

This report presents the results of our financial statement audit of Sampson Community College, a component unit of the State of North Carolina, for the year ended June 30, 2004. Our audit was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

The accounts and operations of the College are an integral part of the State's reporting entity represented in the State's *Comprehensive Annual Financial Report (CAFR)* and the State's *Single Audit Report*. In those reports, the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report*, the State Auditor also presents the audit results on the State's internal controls and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs.

As part of the audit work necessary for the CAFR and the *Single Audit Report*, the accounts and operations of the College were subjected to audit procedures as we considered necessary. In addition, we performed auditing procedures that we considered necessary for us to report on the accompanying financial statements that relate solely to Sampson Community College. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is to present the results of our audit on the accompanying financial statements that relate solely to Sampson Community College. A summary of our reporting objectives and audit results is:

- 1. Objective** – To express an opinion on the accompanying financial statements that relate solely to Sampson Community College.

**Results** - The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with accounting principles generally accepted in the United States of America. These matters are more fully described in the Independent Auditor's Report on the Financial Statements.

## AUDITOR'S TRANSMITTAL (CONCLUDED)

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2. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the College's ability to record, process, summarize, and report financial data in the financial statements and present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

**Results** - Our tests disclosed no significant deficiencies in internal control over financial reporting and no instances of noncompliance which require disclosure herein under *Government Auditing Standards*. These matters are more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

*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.

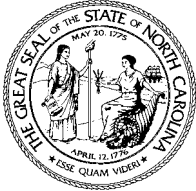
*Leslie W. Merritt, Jr.*

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

# TABLE OF CONTENTS

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	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	3
FINANCIAL STATEMENTS	
Exhibits	
A-1 Statement of Net Assets .....	9
A-2 Statement of Revenues, Expenses, and Changes in Net Assets .....	10
A-3 Statement of Cash Flows .....	11
B-1 Statement of Financial Position .....	13
B-2 Statement of Activities .....	14
Notes to the Financial Statements .....	15
SUPPLEMENTARY INFORMATION	
Schedule	
1 Schedule of General Obligation Bond Project Authorizations, Budgets, and Expenditures .....	29
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	31
DISTRIBUTION OF AUDIT REPORT .....	33



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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Sampson Community College  
Clinton, North Carolina

We have audited the accompanying financial statements of Sampson 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, 2004, which collectively comprise Sampson Community College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sampson Community College Foundation, Inc., which represents 100% of the College's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based 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 of material misstatement. The financial statements of the Sampson Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Sampson Community College and its component unit, as of June 30, 2004, and the respective changes in its financial position and its cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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As discussed in Note 14 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, during the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2005, 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 this 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Leslie W. Merritt, Jr.*

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

April 13, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Purpose

This information in this section is intended to provide a general overview of the College's financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information. For the fiscal year ended June 30, 2004, the College implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As a result, the Sampson Community College Foundation, Inc. is discretely presented as part of this year's financial statements. For more information, please contact the Division of Finance at 910-592-8081.

### Institutional Assets

The assets of the College are divided between current and noncurrent assets. Current assets include cash, short-term certificates of deposit, receivables, inventories, and notes receivable.

<u>Current Assets</u>	<u>6/30/04</u>	<u>6/30/03</u>
Cash and Cash Equivalents	\$ 334,841.27	\$ 265,538.55
Restricted Cash and Cash Equivalents	316,749.21	50,846.88
Certificates of Deposit	212,554.23	211,221.92
Receivables	1,965,264.41	147,016.91
Due from State	200,000.00	265.50
Inventories	221,886.18	196,685.63
Notes Receivable, Net	49,465.76	3,733.62
Total Current Assets	<u>\$ 3,300,761.06</u>	<u>\$ 875,309.01</u>

Noncurrent assets include cash, receivables due from the State for construction projects, land, construction in progress, buildings, equipment, and general infrastructure.

<u>Noncurrent Assets</u>	<u>6/30/04</u>	<u>6/30/03</u>
Restricted Cash and Cash Equivalents	\$ 1,122.83	\$ 2,428.66
Restricted Due from Primary Gov't	3,075,037.29	241,279.88
Capital Assets, Net	8,857,239.58	9,302,330.44
Total Noncurrent Assets	<u>\$ 11,933,399.70</u>	<u>\$ 9,546,038.98</u>

The College's capital assets are stated at their purchase price or, in the case of donations, assigned a fair market value when they are accepted. The College records purchases as a capital asset when the purchased item costs more than \$5,000 at the date of purchase and has a useful life of more than one year. Library books are not included as assets.



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

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The College uses straight-line depreciation to determine the current value of capital assets. In general, general infrastructure is depreciated over a 15-24 year period, buildings are depreciated over a 15-40 year period, and equipment is depreciated in 5-15 years, depending upon the expected useful life of the asset.

### **Institutional Liabilities**

The College's liabilities are divided between current liabilities payable within 12 months and noncurrent liabilities that extend beyond a year. Long-term liabilities include the portion of accrued employee annual leave that will not be paid within the next fiscal year, calculated at the current salary rates for each employee, consistent with the Institution's leave policies.

<u>Liabilities</u>	<u>6/30/04</u>	<u>6/30/03</u>
Current	\$ 99,786.66	\$ 120,871.08
Long-Term	500,339.05	259,407.80
Total Liabilities	<u>\$ 600,125.71</u>	<u>\$ 380,278.88</u>

### **Net Assets**

Net assets are a measure of the value of all the College's assets after liabilities and depreciation are deducted. The College's net assets increased by \$4,579,559.59 for the fiscal year to \$14,634,035.05.

<u>Net Assets</u>	<u>6/30/04</u>	<u>6/30/03</u>
Invested in Capital Assets	\$ 8,857,239.58	\$ 9,315,736.79
Restricted	5,557,395.64	380,706.06
Unrestricted	219,399.83	358,032.61
Total Net Assets	<u>\$ 14,634,035.05</u>	<u>\$ 10,054,475.46</u>

### **Revenues**

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees, federal, State and local grants and contracts, and the revenue received from sales and services, principally comprised of the revenue received from the bookstore, vending, and the rental of the food service operation. Student tuition, though identified as a revenue, is remitted back to the State Treasurer and not netted against the College's State aid identified as nonoperating revenue. The largest operating revenue (\$2,517,392.85) accrues from the College's participation in Federal Title IV financial aid programs, including Pell Grants.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	6/30/04	6/30/03
Student Tuition and Fees, Net	\$ 809,689.53	\$ 717,982.57
Federal Grants and Contracts	2,517,392.85	2,433,059.58
State and Local Grants and Contracts	367,702.36	154,319.05
Sales and Services	694,317.70	728,077.11
Total Operating Revenues	\$ 4,389,102.44	\$ 4,033,438.31

Nonoperating revenues comprise the major portion of the College's income and include formula allocations from the North Carolina State Board of Community Colleges for current expense, equipment, and capital improvements, as well as funds appropriated from the Sampson County Board of Commissioners. Noncapital gifts include contributions from the Sampson Community College Foundation, Inc.

	6/30/04	6/30/03
State Aid	\$ 6,353,117.10	\$ 5,604,405.73
County Appropriations	852,164.00	787,659.00
Noncapital Grants	359,125.23	391,604.61
Noncapital Gifts	96,320.38	74,852.23
Investment Income, Net	3,596.67	5,193.46
Other Nonoperating Revenues		25.84
Total Nonoperating Revenues	\$ 7,664,323.38	\$ 6,863,740.87

### Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits identified as "Salaries and Benefits."

	6/30/04	6/30/03
Salaries and Benefits	\$ 7,884,701.00	\$ 6,990,827.75
Supplies and Materials	1,460,059.19	1,308,886.19
Services	791,199.00	701,920.36
Scholarships and Fellowships	1,984,989.54	1,925,738.22
Utilities	209,301.06	203,138.68
Depreciation	1,116,812.62	345,927.91
Total Expenses	\$ 13,447,062.41	\$ 11,476,439.11

### Capital Contributions

Capital contributions are received from appropriations from the North Carolina State Board of Community Colleges under a formula allocation for educational equipment and library books. The Board also provides construction funds as part of the 2000 Higher Education Bond Referendum and a previous legislative action providing funds for renovation and repairs.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

---

Sampson County provides capital contributions for maintenance equipment and small construction items. Capital gifts are provided through annual contributions of the Sampson Community College Foundation, Inc.

	<u>6/30/04</u>	<u>6/30/03</u>
State Capital Aid	\$ 3,860,529.59	\$ 957,811.10
County Capital Appropriations	347,429.17	
Capital Grants	882,389.42	
Capital Gifts	<u>882,848.00</u>	
Total Capital Contributions	<u>\$ 5,973,196.18</u>	<u>\$ 957,811.10</u>

**Significant Capital Asset Activity**

The College received \$4,140,350.00 from the 2000 North Carolina Higher Education Bond Referendum, which provided \$700,530.00 for the renovation and repair of facilities and \$3,439,820.00 for new construction. Funds were allocated according to a cash flow schedule established by the North Carolina State Board of Community Colleges. The College received the final allocation of these funds during the fiscal year (FY) 2003/2004.

The College began construction of a 50,000 square foot occupational building in the 2004 spring semester utilizing funds from the Higher Education Bond Referendum, federal funds from the Department of Agriculture of \$875,000.00, and privately donated funds expected to reach \$1,000,000.00.

**Institutional Enrollment**

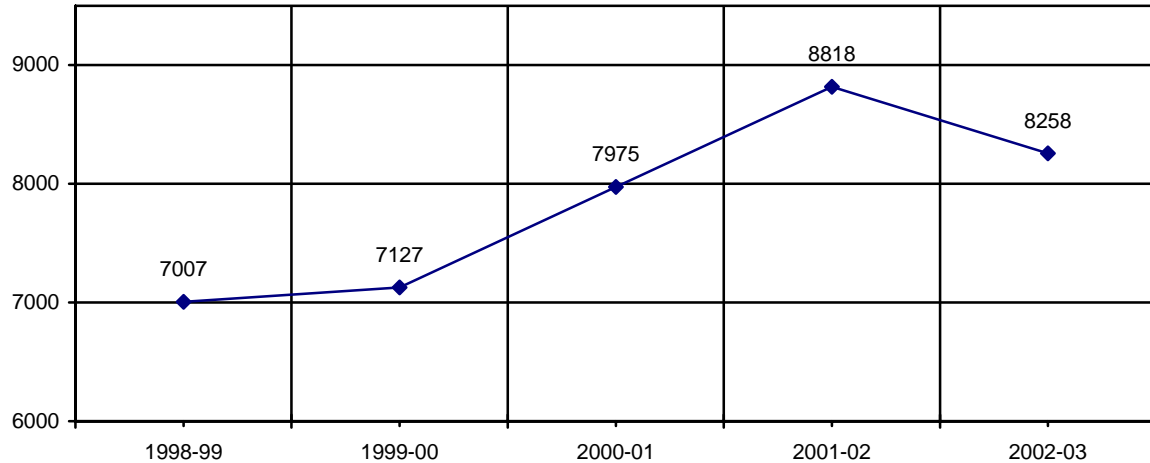
The College received State funding based upon enrollment earned in the previous year. Budgeted full-time equivalents (FTE) for the College for the past five academic years is as follows:

<b>Year</b>	<b>FTE Earned</b>
1998-1999	1,325
1999-2000	1,404
2000-2001	1,430
2001-2002	1,381
2002-2003	1,510

It is anticipated that FTE's will level off as the Institution's enrollment levels off.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Total curriculum and continuing education enrollment trends for the past five academic years are as follows:



Source: NCCCS Annual Statistical Reports

Planning and Research Office  
August 2004

### Significant Effects on Financial Position

The following actions and general conditions are expected to have a significant effect on the operations of the College:

1. The Sampson County Board of Commissioners restored much of the reductions in the College's current expense budget from the previous year. Support for capital requests will be \$346,332.00 for the FY 2004/2005. This includes \$310,332.00 for building construction and \$36,000.00 for regular capital outlay items.
2. In the FY 2002/2003, the College implemented a technology fee for curriculum students ranging from a minimum of \$8.00/semester up to \$16.00/semester for full-time students. Fee deposits exceeded \$39,000.00 for FY 2003/2004. This provides additional support for technology supply and equipment purchases and support staffing.
3. The North Carolina General Assembly will continue the past annual increases in the cost of attendance at the College by raising the cost for curriculum students from \$568.00 to \$608.00 for a full-time student for the FY 2004/2005.

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

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4. The College's headcount for the Fall 2004 should approximate the headcount enrollment for the Fall 2003. This indicates a leveling in the Institution's enrollment and the recent rapid increases in enrollment.

### **Economic Forecast**

The economic outlook for the College is expected to remain generally favorable. Though total FTE enrollment has declined, the losses have been modest and appear to be attributable to a modest local economic recovery following a number of plant closings within the immediate service area that moved enrollment to unprecedented levels. Some local retail growth has been experienced. While manufacturing facilities are not expected to return, agricultural income remains high. The participation rates of local high school classes has remained around the historical mark of 25%, suggesting a source of continuing new students. In addition, local high schools are expected to increase the number of graduating seniors for the next several years.

The Institution has initiated a number of collaborative relationships with the public schools and universities that can reasonably be expected to provide additional enrollment over time and to diversify the number of educational programs on campus. The Institution is completing 41,000 square feet of additional construction in the summer of 2005. Through the recent adoption of a major capital improvement program by the Sampson County Board of Commissioners, the College can anticipate the construction of an additional 30,000 square feet by 2010.

<b>Sampson Community College</b>		
<b>Statement of Net Assets</b>		
<b>June 30, 2004</b>		<b>Exhibit A-1</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	334,841.27
Restricted Cash and Cash Equivalents		316,749.21
Short-Term Investments		108,987.57
Restricted Short-Term Investments		103,566.66
Receivables (Note 4)		1,965,264.41
Due from State of North Carolina Component Units		200,000.00
Inventories		221,886.18
Notes Receivable, Net (Note 4)		49,465.76
<b>Total Current Assets</b>		<b>3,300,761.06</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		1,122.83
Restricted Due from Primary Government		3,075,037.29
Capital Assets - Nondepreciable (Note 5)		395,867.90
Capital Assets - Depreciable, Net (Note 5)		8,461,371.68
<b>Total Noncurrent Assets</b>		<b>11,933,399.70</b>
<b>Total Assets</b>		<b>15,234,160.76</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		90,978.27
Due to State of North Carolina Component Units		57.01
Funds Held for Others		1,122.83
Long-Term Liabilities - Current Portion (Note 7)		7,628.55
<b>Total Current Liabilities</b>		<b>99,786.66</b>
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		500,339.05
<b>Total Liabilities</b>		<b>600,125.71</b>
<b>NET ASSETS</b>		
Invested in Capital Assets		8,857,239.58
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships		84,921.66
Expendable:		
Scholarships and Fellowships		323,567.99
Loans		8,305.12
Capital Projects		5,140,600.87
Unrestricted		219,399.83
<b>Total Net Assets</b>	<b>\$</b>	<b>14,634,035.05</b>
The accompanying notes to the financial statements are an integral part of this statement.		

<b>Sampson Community College</b>		
<b>Statement of Revenues, Expenses, and</b>		
<b>Changes in Net Assets</b>		
<b>For the Fiscal Year Ended June 30, 2004</b>		<b>Exhibit A-2</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net (Note 8)	\$	809,689.53
Federal Grants and Contracts		2,517,392.85
State and Local Grants and Contracts		367,702.36
Sales and Services		694,317.70
Total Operating Revenues		4,389,102.44
<b>EXPENSES</b>		
Operating Expenses:		
Salaries and Benefits		7,884,701.00
Supplies and Materials		1,460,059.19
Services		791,199.00
Scholarships and Fellowships		1,984,989.54
Utilities		209,301.06
Depreciation		1,116,812.62
Total Operating Expenses		13,447,062.41
Operating Loss		(9,057,959.97)
<b>NONOPERATING REVENUES</b>		
State Aid		6,353,117.10
County Appropriations		852,164.00
Noncapital Grants		359,125.23
Noncapital Gifts		96,320.38
Investment Income, Net		3,596.67
Net Nonoperating Revenues		7,664,323.38
Loss Before Other Revenues		(1,393,636.59)
State Capital Aid		3,860,529.59
County Capital Appropriations		347,429.17
Capital Grants		882,389.42
Capital Gifts		882,848.00
Increase in Net Assets		4,579,559.59
<b>NET ASSETS</b>		
Net Assets, July 1, 2003 as Restated (Note 15)		10,054,475.46
Net Assets, June 30, 2004	\$	14,634,035.05
The accompanying notes to the financial statements are an integral part of this statement.		

<b>Sampson Community College</b>		
<b>Statement of Cash Flows</b>		
<b>For the Fiscal Year Ended June 30, 2004</b>		<b>Exhibit A-3</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Customers		\$ 4,448,498.58
Payments to Employees and Fringe Benefits		(7,658,321.98)
Payments to Vendors and Suppliers		(2,483,391.31)
Payments for Scholarships and Fellowships		(1,984,989.54)
Loans Issued to Students		(45,732.14)
Other Payments		(905.83)
Net Cash Used by Operating Activities		(7,724,842.22)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Aid Received		6,353,117.10
County Appropriations		852,164.00
Noncapital Grants Received		159,936.20
Noncapital Gifts and Endowments Received		96,320.38
Cash Provided by Noncapital Financing Activities		7,461,537.68
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State Capital Aid Received		1,026,772.18
County Capital Appropriations Received		37,097.17
Capital Grants Received		9,280.19
Capital Gifts Received		188,497.03
Acquisition and Construction of Capital Assets		(666,855.73)
Net Cash Provided by Capital and Related Financing Activities		594,790.84
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income		3,745.23
Purchase of Investments and Related Fees		(1,332.31)
Net Cash Provided by Investing Activities		2,412.92
Net Increase in Cash and Cash Equivalents		333,899.22
Cash and Cash Equivalents, July 1, 2003		318,814.09
Cash and Cash Equivalents, June 30, 2004		\$ 652,713.31
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss		\$ (9,057,959.97)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		1,116,812.62
Changes in Assets and Liabilities:		
Receivables		59,396.14
Inventories		(25,200.55)
Notes Receivable, Net		(45,732.14)
Accounts Payable and Accrued Liabilities		(4,054.82)
Due to State of North Carolina Component Units		(833.52)
Funds Held for Others		(905.83)
Compensated Absences		233,635.85
Net Cash Used by Operating Activities		\$ (7,724,842.22)



<b><i>Sampson Community College</i></b>		
<b><i>Statement of Cash Flows</i></b>		<b><i>Exhibit A-3</i></b>
<b><i>For the Fiscal Year Ended June 30, 2004</i></b>		<b><i>Page 2</i></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	334,841.27
Restricted Cash and Cash Equivalents		316,749.21
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		1,122.83
Total Cash and Cash Equivalents - June 30, 2004	\$	652,713.31
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Increase in Receivables Related to Nonoperating Income	\$	4,600,952.11
Capital Asset Write-Offs		22,104.29
The accompanying notes to the financial statements are an integral part of this statement.		

**Sampson Community College Foundation, Inc.****Statement of Financial Position****June 30, 2004****Exhibit B-1****ASSETS**

Cash and Cash Equivalents	\$	650,020
Certificates of Deposit		132,560
Investment Securities		250,322
Contributions Receivable		448,438
House and Farmland - Benson Property		124,908
Total Assets		1,606,248

**LIABILITIES**

Accrued Liabilities		3,700
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**NET ASSETS**

Unrestricted		235,852
Temporarily Restricted		880,668
Permanently Restricted		486,028
Total Net Assets	\$	1,602,548

See Note 1 in the Notes to the Financial Statements

***Sampson Community College Foundation, Inc.***  
***Statement of Activities***  
***For the Fiscal Year Ended June 30, 2004***

***Exhibit B-2***

**CHANGES IN UNRESTRICTED NET ASSETS**

Revenues and Gains:		
Contributions		\$ 72,279
Special Events		22,180
Interest and Dividends		2,669
Investment Gains		8,899
	Total Unrestricted Revenues and Gains	106,027
Net Assets Released from Restrictions:		
	Satisfaction of Program Restrictions	291,886
	Total Unrestricted Revenues, Gains, and Other Support	397,913
Expenses:		
Program Expenditures		292,796
Fund Raising		1,693
Administrative		46,575
	Total Expenses	341,064
	Increase in Unrestricted Net Assets	56,849

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Contributions		346,839
Interest and Dividends		6,620
Investment Gains		26,898
Net Assets Released from Restrictions:		
	Satisfaction of Program Restrictions	(291,886)
	Increase in Temporarily Restricted Net Assets	88,471

**CHANGES IN PERMANENTLY RESTRICTED NET ASSETS**

Contributions		61,915
Special Events		5,000
Interest and Dividends		69
Investment Gains		1,428
	Increase in Permanently Restricted Net Assets	68,412

Increase in Net Assets		213,732
Net Assets at Beginning of Year		1,388,816
Net Assets at End of Year		\$ 1,602,548

See Note 1 in the Notes to the Financial Statements

**SAMPSON COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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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, 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. Sampson 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 the component unit for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the financial statements. The discretely presented component unit's financial data are reported in separate financial statements because of its use of a different GAAP reporting model and to emphasize its legal separateness.

**Discretely Presented Component Unit** – The Sampson Community College Foundation, Inc. (the Foundation) is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation 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 the Chairman of the Board of Trustees of Sampson Community College or his/her designee, the President of the College, and the College's Resource Development Officer, pursuant to Section 2 of Article II of the by-laws of the Foundation. These members serve as ex-officio, non-voting members of the Foundation board. In addition, there are 31 voting 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 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 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.

During the year ended June 30, 2004, the Foundation distributed \$281,895.55 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Resource Development Office, Sampson Community College, P.O. Box 318, Clinton, NC 28329.

- 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 Governmental Accounting Standards Board (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 (BTA) 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 Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, 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 the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- D. Cash and Cash Equivalents** – This classification includes undeposited receipts, petty cash, and cash on deposit with private bank accounts.
- E. Investments** - This classification includes certificates of deposit. Certificates of deposit are reported at cost.
- F. Receivables** – Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are shown at book value with no provision for doubtful accounts considered necessary. Notes receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** – Inventories, consisting of expendable supplies and merchandise for resale, are stated at the lower of cost or market value using the first-in, first-out method.
- 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 College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of more than one year. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.
- Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 24 years for general infrastructure, 15 to 40 years for buildings, and 5 to 15 years for equipment.
- I. Restricted Assets** – Unexpended capital contributions are classified as restricted assets because their use is limited by donor/grantor agreements. Certain other assets are classified as restricted because their use is limited by external parties or statute.
- J. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include 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 January 1st or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous December 31st plus the leave earned, less the leave taken between January 1st and June 30th.

In addition to the vacation leave described above, compensated absences includes the accumulated unused portion of the special annual leave bonuses awarded by the College to all full-time permanent employees as of July 1, 2003. The unused portion of this leave remains available until used, notwithstanding the limitation on annual leave carried forward described above.

When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out method.

**L. Net Assets** – The College’s net assets are classified as follows:

**Invested in Capital Assets** – This represents the College’s total investment in capital assets.

**Restricted Net Assets – Nonexpendable** – Nonexpendable restricted net assets include 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 Assets – Expendable** – Expendable restricted net assets include resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

**Unrestricted Net Assets** – Unrestricted net assets 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 are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. 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 Assets. 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. 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 appropriation and county capital appropriation do not revert and are available for future use as approved by the county commissioners.

### NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with 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 or with the State Treasurer's Investment Pool.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. At year-end, cash on hand was \$530.00. The carrying amount of cash on deposit was \$864,737.54 and the bank balance was \$896,279.57. All of the cash was on deposit with private financial institutions.

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.

The financial statements and disclosures for the State Treasurer's Investment Pool 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.state.nc.us/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Of the cash on deposit with private financial institutions at June 30, 2004, \$101,621.48 of the bank balance was covered by federal depository insurance and \$794,658.09 was covered by collateral held by an authorized escrow agent in the name of the State Treasurer (pooling method).

- B. Investments** – The College is authorized to invest idle funds as provided by General Statute 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 the form of investments pursuant to General Statute 159-30(c), as follows: 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 and banker's acceptances; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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.

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to General Statute 147-69.2. This statute authorizes investments for special funds held by the State Treasurer and includes the following investments: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit of specified institutions; prime quality commercial paper; specified bills of exchange; asset-backed securities, corporate bonds and notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; certain venture capital limited partnerships; and the obligations or securities of the North Carolina Enterprise Corporation.

At June 30, 2004, the College held certificates of deposit in the amount of \$212,554.23, which is not subject to categorization of custodial credit risk. The aforementioned certificates of deposit are a component of the deposit totals reported in the deposits section of this note.

### **NOTE 3 - ENDOWMENT INVESTMENTS**

Investments of the College's endowment funds are separately invested. 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 investments of the endowment funds.

Investment return of the College's endowment funds is predicated under classical trust doctrines. Unless the donor has stipulated otherwise, capital gains and losses are accounted for as part of the endowment principal and are not available for expenditure. Annual payouts from the L. M. Horne endowment fund and the R. E. Williams and Annie Lou Williams endowment fund are based on interest earned during the year. All interest earned is used for scholarships. No payments have been made from the Williamson endowment fund during the audit year. At June 30, 2004, net appreciation of \$1,106.06 was available to be spent, all of which was restricted to specific purposes.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2004, were as follows:

	Gross Receivables	Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 9,846.75	\$ 0.00	\$ 9,846.75
Accounts	66,137.85		66,137.85
Intergovernmental	1,185,332.00		1,185,332.00
Investment Earnings	359.63		359.63
Other	703,588.18		703,588.18
<b>Total Current Receivables</b>	<b>\$ 1,965,264.41</b>	<b>\$ 0.00</b>	<b>\$ 1,965,264.41</b>
<b>Notes Receivable:</b>			
<b>Notes Receivable - Current:</b>			
State Loan Programs	\$ 12,231.68	\$ 496.50	\$ 11,735.18
Institutional Student Loan Programs	43,180.22	5,449.64	37,730.58
<b>Total Notes Receivable - Current</b>	<b>\$ 55,411.90</b>	<b>\$ 5,946.14</b>	<b>\$ 49,465.76</b>

### NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2004, is presented as follows:

	Balance July 1, 2003	Adjustments	Increases	Decreases	Balance June 30, 2004
Capital Assets, Nondepreciable:					
Land	\$ 80,950.25	\$ 0.00	\$ 0.00	\$ 0.00	\$ 80,950.25
Construction in Progress	401,310.38	(594,384.79)	508,106.46	114.40	314,917.65
<b>Total Capital Assets, Nondepreciable</b>	<b>482,260.63</b>	<b>(594,384.79)</b>	<b>508,106.46</b>	<b>114.40</b>	<b>395,867.90</b>
Capital Assets, Depreciable:					
Buildings	10,652,456.94	594,384.79			11,246,841.73
Machinery and Equipment	1,478,827.74		178,032.51	21,989.89	1,634,870.36
General Infrastructure	899,150.19				899,150.19
<b>Total Capital Assets, Depreciable</b>	<b>13,030,434.87</b>	<b>594,384.79</b>	<b>178,032.51</b>	<b>21,989.89</b>	<b>13,780,862.28</b>
Less Accumulated Depreciation:					
Buildings	3,560,230.70		327,210.38		3,887,441.08
Machinery and Equipment	371,755.05		561,494.35	7,687.08	925,562.32
General Infrastructure	278,379.31		228,107.89		506,487.20
<b>Total Accumulated Depreciation</b>	<b>4,210,365.06</b>		<b>1,116,812.62</b>	<b>7,687.08</b>	<b>5,319,490.60</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>8,820,069.81</b>	<b>594,384.79</b>	<b>(938,780.11)</b>	<b>14,302.81</b>	<b>8,461,371.68</b>
<b>Capital Assets, Net</b>	<b>\$ 9,302,330.44</b>	<b>\$ 0.00</b>	<b>\$ (430,673.65)</b>	<b>\$ 14,417.21</b>	<b>\$ 8,857,239.58</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2004, were as follows:

	Amount
Accounts Payable	\$ 30,864.53
Accrued Payroll	59,251.59
Contract Retainage	316.68
Intergovernmental Payables	545.47
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 90,978.27</b>

### NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities is presented as follows:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Current Portion
Compensated Absences	\$ 274,331.75	\$ 531,030.71	\$ 297,394.86	\$ 507,967.60	\$ 7,628.55

### NOTE 8 - REVENUES

Student tuition and fees net of scholarship discounts is presented as follows:

	Gross Revenues	Less Scholarship Discounts	Net Revenues
<b>Operating Revenues:</b>			
Student Tuition and Fees	\$ 1,708,021.99	\$ 898,332.46	\$ 809,689.53

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 4,408,651.71	\$ 644,202.30	\$ 226,445.14	\$ 335,223.90	\$ 0.00	\$ 0.00	\$ 5,614,523.05
Academic Support	838,841.25	69,084.52	58,233.00				966,158.77
Student Services	756,735.38	30,607.02	82,583.23	49,152.56			919,078.19
Institutional Support	1,493,890.49	72,043.39	258,480.02	6,179.46			1,830,593.36
Operations and Maintenance of Plant	337,659.97	116,259.83	150,478.22		209,301.06		813,699.08
Student Financial Aid			6,587.50	1,581,074.29			1,587,661.79
Auxiliary Enterprises	48,922.20	527,862.13	8,391.89	13,359.33			598,535.55
Depreciation						1,116,812.62	1,116,812.62
Total Operating Expenses	<u>\$ 7,884,701.00</u>	<u>\$ 1,460,059.19</u>	<u>\$ 791,199.00</u>	<u>\$ 1,984,989.54</u>	<u>\$ 209,301.06</u>	<u>\$ 1,116,812.62</u>	<u>\$ 13,447,062.41</u>

### NOTE 10 - 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 (System) is a cost sharing multiple-employer defined benefit pension plan administered by the North Carolina State Treasurer.

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System 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, 2004, these rates were set at .22% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2004, the College had a total payroll of \$6,533,964.84, of which \$5,642,220.94 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$338,533.26 and \$12,412.89, respectively. The College made one hundred percent of its annual required contributions for the years ended June 30, 2004, 2003, and 2002, which were \$12,412.89, \$0.00, and \$99,285.41, respectively.

The Teachers' and State Employees' Retirement System's 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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home page <http://www.osc.state.nc.us/> and clicking on “Financial Reports”, or by calling the State Controller’s Financial Reporting Section at (919) 981-5454.

- B. Supplemental Retirement Income Plans - IRC 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 \$68,900.00 for the year ended June 30, 2004.

### NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

- A. Health Care for Long-Term Disability Beneficiaries and Retirees -** The College participates in State-administered programs which provide 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. These benefits were established by Chapter 135, Article 3, Part 3, of the General Statutes and may be amended only by the North Carolina General Assembly. Funding for the health care benefit for long-term disability beneficiaries and retirees is financed on a pay-as-you-go basis. The College contributed 3.2% of the covered payroll under the Teachers’ and State Employees’ Retirement System for these health care benefits. For the fiscal year ended June 30, 2004, the College’s total contribution to the Plan was \$180,551.07. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution. Additional detailed information about these programs can be located in the State of North Carolina’s *Comprehensive Annual Financial Report*.
- B. Long-Term Disability -** The College participates in the Disability Income Plan of North Carolina (DIPNC). Established by Chapter 135, Article 6, of the General Statutes, DIPNC provides short-term and long-term disability benefits to eligible members of the Teachers’ and State Employees’ Retirement System. Long-term disability income benefits are advance funded on an actuarially determined basis using the one-year

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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term cost method. Employer contributions are established in the Appropriations Bill by the General Assembly. The College was not required to contribute to the DIPNC for the fiscal year ended June 30, 2004. The College assumes no liability for long-term disability benefits under the Plan other than its contribution. Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

### NOTE 12 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. Except for a reduction in the public officers' and employees' liability insurance from \$11,000,000 to \$5,000,000, 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.

Tort claims of up to \$500,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$5,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the North Carolina Community College System Office 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 used for instructional purposes are covered by liability insurance handled by the State Department of Insurance. 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. The blanket honesty bond is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of \$5,000,000 per occurrence and a \$50,000 deductible. The College is protected for losses from employees paid entirely from county and institutional funds by contracts with private insurance companies. This special extension of property coverage provides for protection with coverage of \$50,000 per occurrence with a \$250 deductible.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan (Plan), a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third-party contractor.

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 of \$25,000 to \$50,000 is provided to eligible workers. This self-insured death benefit program is administered by the State Treasurer and funded via employer contributions. There were no employer contributions required for the current fiscal year.

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

### NOTE 13 - COMMITMENTS 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 \$4,988,130.00 at June 30, 2004.
- B. **Community College General Obligation Bonds** - The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of \$600 million of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The funds authorized are to be used solely to construct new buildings and to renovate and modernize existing buildings on the North Carolina Community College System campuses. The bond legislation specifies the amount of bond funding for each College campus as well as the intended amount for new construction and repair and replacement. The legislation further provides that the State Board of Community Colleges shall be responsible for the approval of projects in accordance with provisions of the legislation. The bonds were



## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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authorized for issuance over a six-year period beginning in 2001 at a level not to exceed amounts provided in the legislation. Using a cash flow financing approach, The Community College System's Office (CCSO) establishes annual amounts not to exceed for each approved project. The amounts not to exceed are subject to change due to actual cash availability and needs during the year. Subsequent to the bond sales and the availability of bond proceeds, CCSO notifies the Office of State Budget and Management (OSBM) of the amount not to exceed for the total of the approved projects. Within this amount, based on an official request of cash needs from the State Board of Community Colleges, OSBM authorizes allotments. These allotments are then recorded to specific community college allotment accounts by the CCSO. The College records the allotments as revenue on the accompanying financial statements. As of June 30, 2004, the CCSO has authorized all of the College's bond allotments.

### NOTE 14 - CHANGE IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2004, the College implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship to the College.

### NOTE 15 - NET ASSET RESTATEMENT

As of July 1, 2003, net assets as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2003 Net Assets as Previously Reported	\$ 10,041,069.11
Restatement - Capital Assets Understated	<u>13,406.35</u>
July 1, 2003 Net Assets as Restated	<u><u>\$ 10,054,475.46</u></u>

*Sampson Community College  
 Schedule of General Obligation Bond Project Authorizations,  
 Budgets, and Expenditures  
 For Project-to-Date as of June 30, 2004*

*Schedule 1*

	Original Projected Start Date	Revised/ Actual Start Date	General Obligation Bonds Authorized	Other Sources	Total Project Budget	Amount Expended	Percent Completed	Original Expected Completion Date	Revised/ Actual Completion Date
<i>Projects Approved by the State Board</i>									
Occupational Building #1133	Dec 2000	Dec 2000	\$ 3,389,350.00	\$ 2,516,180.00	\$ 5,905,530.00	\$ 314,917.65	5.33%	Jul 2005	Jul 2005
Campus Roadway Extension #983	Feb 2001	Feb 2001	176,000.00	216,075.00	392,075.00	392,075.00	100.00%	Oct 2002	Oct 2002
North HVAC and Crosswalk Replacement #1151	Feb 2001	Feb 2001	575,000.00	19,384.79	594,384.79	594,384.79	100.00%	Jul 2005	Jun 2004
<b>Total All Projects</b>			<u>\$ 4,140,350.00</u>	<u>\$ 2,751,639.79</u>	<u>\$ 6,891,989.79</u>	<u>\$ 1,301,377.44</u>			

Note: The 1999-2000 Session of the General Assembly of North Carolina authorized the issuance of \$600 million of general obligation bonds of the State, as subsequently approved by a vote of qualified voters of the State, to provide funds for capital improvements for the North Carolina Community College System. The projects listed on this schedule are those funded or to be funded by bond proceeds from the general obligation bonds authorized by Senate Bill 912.

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Leslie W. Merritt, Jr., CPA, CFP  
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  
Sampson Community College  
Clinton, North Carolina

We have audited the financial statements of Sampson 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, 2004, which collectively comprise Sampson Community College's basic financial statements, and have issued our report thereon dated April 13, 2005. We did not audit the financial statements of the Sampson Community College Foundation, Inc., which represents 100% of the College's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

As discussed in Note 14 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, during the year ended June 30, 2004.

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. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to the component unit.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees and the State Board of Community Colleges, management and staff of the College, the Governor, the State Controller, the General Assembly, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Leslie W. Merritt, Jr.*

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

April 13, 2005

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In accordance with General Statutes 147-64.5 and 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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Lieutenant Governor of North Carolina  
State Treasurer  
Attorney General  
State Budget Officer  
State Controller  
President, North Carolina Community College System  
President, Sampson Community College  
Vice President of Finance,  
Sampson Community College  
Chairman, Board of Trustees  
Sampson Community College

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Director, Fiscal Research Division

May 16, 2005

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