



STATE OF NORTH CAROLINA

STANLY COMMUNITY COLLEGE

ALBEMARLE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2007

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

STANLY COMMUNITY COLLEGE

ALBEMARLE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2007

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THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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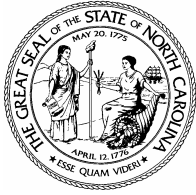
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Leslie W. Merritt, Jr., CPA, CFP
State Auditor

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

AUDITOR'S TRANSMITTAL

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

We have completed a financial statement audit of Stanly Community College for the year ended June 30, 2007, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements resulted in no audit findings.

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

May 20, 2008

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
College 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
Component Unit Exhibits	
B-1 Statement of Financial Position	13
B-2 Statement of Activities	14
Notes to the Financial Statements	15
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>	29
ORDERING INFORMATION	31



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

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Internet
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Stanly Community College
Albemarle, North Carolina

We have audited the accompanying financial statements of Stanly 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, 2007, which collectively comprise the College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Stanly Community 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 Stanly Community College Foundation, Inc., 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 opinions, insofar as they relate to the amounts included for those entities, are 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 Stanly Community College Foundation 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 the 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 Stanly Community College and its discretely presented component unit as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2008, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



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

May 9, 2008

STANLY COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Stanly Community College's financial statements has been prepared by management and provides an overview of the College's financial activities for the year ended June 30, 2007, with selected comparative data for the year ended June 30, 2006. This should be read in conjunction with the financial statements and notes to the financial statements. This is intended to provide a narrative analysis that users need to interpret the basic financial statements.

Overview of the Financial Statements

Three basic financial statements attributable to the College are included with this report along with the management's discussion and analysis and the notes to the financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These three basic financial statements provide information on the financial condition of the College, the results of operations, and the cash inflows and outflows 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 assets are recognized when earned and expenses and liabilities are recognized when an obligation has been incurred, regardless of when cash is received or paid.

Institutional Financial Highlights

The College's financial position increased slightly during the fiscal year ended June 30, 2007. Its combined net assets increased by \$145,620.25, or 1.24% from the previous year's restated balance. This increase was mainly due to the restatement associated with extending the useful lives of capital assets that were previously fully depreciated, but are still in use.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Stanly County allocated the College a total of \$1,400,000 for operational and capital expenses, no change from the previous year. The College utilized \$1,233,000 of these funds for current operational expenses and \$167,000 for capital outlay expenses.

The College experienced a 5.28% increase in full time equivalent (FTE) curriculum students for the year ended June 30, 2007. Curriculum FTE during 2006-07 was 1574, up from 1495 during 2005-06. This increase was largely due to an increase in online course offerings in several curriculum programs, including Criminal Justice and Early Childhood.

During the year, the North Carolina Community College System collected less than anticipated receipts for tuition and fees. As a result, Stanly Community College had to revert \$90,092, or 1%, of its allocated State budget.

Condensed Statement of Net Assets

For Fiscal Years Ended June 30, 2007, and June 30, 2006

	2006-07	2005-06	Increase (Decrease)
Current Assets	\$ 875,778.88	\$ 1,056,841.05	\$ (181,062.17)
Noncurrent Assets	176,829.24	75,000.00	101,829.24
Capital Assets	11,773,776.95	11,427,078.22	346,698.73
Total Assets	\$ 12,826,385.07	\$ 12,558,919.27	\$ 267,465.80
Current Liabilities	\$ 404,753.92	\$ 336,507.25	\$ 68,246.67
Noncurrent Liabilities	556,290.33	502,691.45	53,598.88
Total Liabilities	\$ 961,044.25	\$ 839,198.70	\$ 121,845.55
Net Assets:			
Invested in Capital Assets	\$ 11,773,776.95	\$ 11,427,078.22	\$ 346,698.73
Restricted	183,416.72	41,218.63	142,198.09
Unrestricted	(91,852.85)	251,423.72	(343,276.57)
Total Net Assets	\$ 11,865,340.82	\$ 11,719,720.57	\$ 145,620.25

Net Assets increased by \$145,620.25, including a restatement of \$555,614.58. This restatement was due to the extension of useful lives of capital assets that were previously fully depreciated, but are still in use. Other factors affecting the change in Net Assets include an increase in accrued accounts payable at year end and an increase in unearned revenue.

Total assets increased by \$267,465.80. Current assets decreased by \$181,062.17, primarily due to a reduction of cash available at year-end. During the current year, cash available was used to fund various projects and cover current year expenses. Noncurrent assets increased by \$101,829.24, primarily due to an increase in construction bond funds provided by the State for use by the College. Capital assets increased by \$346,698.73, due to an increase in

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

equipment purchased during the year and the restatement associated with extending the useful lives of equipment and general infrastructure.

Total liabilities increased by \$121,845.55. Current liabilities increased by \$68,246.67 primarily due to an increase in unearned revenue over the previous year. This increase is related to the increase in enrollment. Noncurrent liabilities increased by \$53,598.88, due to the increase in the accrued leave balances payable for employees. This liability is impacted by the additional employees hired during the year and the salary increases.

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

For the Fiscal Years Ended June 30, 2007, and June 30, 2006

	2006-07	2005-06	Increase (Decrease)
Operating Revenues:			
Tuition and Fees, Net	\$ 1,409,418.93	\$ 1,263,331.35	\$ 146,087.58
Federal Grant and Contracts	2,036,273.92	1,704,716.48	331,557.44
State and Local Grants	351,754.90	304,954.59	46,800.31
Sales and Services, Net	911,747.97	1,011,234.33	(99,486.36)
Other Operating Revenues	89,525.33	132,704.20	(43,178.87)
Total Operating Revenues	4,798,721.05	4,416,940.95	381,780.10
Total Operating Expenses	17,457,016.98	15,923,810.31	1,533,206.67
Operating Loss	(12,658,295.93)	(11,506,869.36)	(1,151,426.57)
Nonoperating Revenues:			
State Aid	9,565,722.53	9,056,217.96	509,504.57
County Appropriations	1,233,000.00	1,233,000.00	
Noncapital Grants	227,642.39	10,444.14	217,198.25
Noncapital Gifts	175,954.27	92,678.56	83,275.71
Investment Income	30,338.44	30,712.07	(373.63)
Other Nonoperating Revenues	52,226.81	61,820.34	(9,593.53)
Net Nonoperating Revenues	11,284,884.44	10,484,873.07	800,011.37
Loss Before Other Revenues	(1,373,411.49)	(1,021,996.29)	(351,415.20)
State Capital Aid	796,417.00	454,340.49	342,076.51
County Capital Aid	167,000.00	167,000.00	
Capital Gifts		117,515.60	(117,515.60)
Decrease in Net Assets	(409,994.49)	(283,140.20)	(126,854.29)
Net Assets - Beginning of Year	11,719,720.73	12,002,860.77	(283,140.04)
Adjustments	555,614.58		555,614.58
Net Assets - End of Year	\$ 11,865,340.82	\$ 11,719,720.57	\$ 145,620.25

Operating revenues increased by \$381,780.10 or 8.64%, primarily due to the increase in federal grants and tuition income during the year. The tuition and fee income increased by \$146,087.58 primarily due to growing enrollment. Federal, State and local grants increased

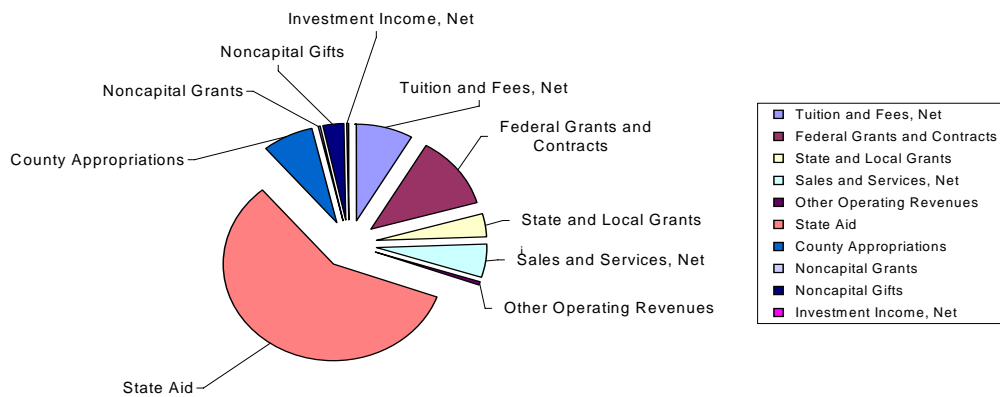
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

by \$378,357.75 due to an increase in Pell Grants, Title III Grants, and State Grants for scholarships and special projects. Operating expenses increased by \$1,533,206.67 or 9.63%, primarily in the areas of personal services, supplies and depreciation. The largest cost increase was due to hiring additional employees and salary increases. This resulted in a net increase in operating loss of \$1,151,426.57, or 10%. Nonoperating revenues increased by \$800,011.37, or 7.63%, primarily due to the increase in State aid, which reflected the growth in enrollment.

Revenues

Total revenues for fiscal year ended June 30, 2007, were \$17,047,022.49 while total revenues for June 30, 2006, were \$15,640,670.11. The increase of \$1,406,352.38 is described above.

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



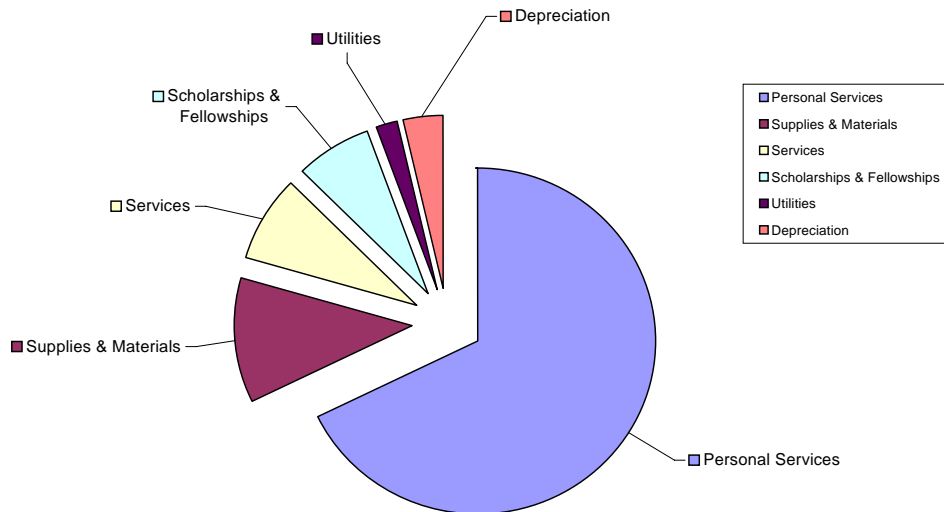
Expenditures

The following chart represents expenses of Stanly Community College by activities for the fiscal year ended June 30, 2007, and June 30, 2006:

Operating Expenses By Function	2006-07	2005-06	Increase (Decrease)
Personal Services	\$ 11,995,561.62	\$ 10,683,581.10	\$ 1,311,980.52
Supplies & Materials	2,241,033.03	1,961,367.11	279,665.92
Services	1,255,061.66	1,336,763.00	(81,701.34)
Scholarships & Fellowships	1,028,015.97	1,153,347.85	(125,331.88)
Utilities	340,639.70	334,926.93	5,712.77
Depreciation	596,705.00	453,824.32	142,880.68
Total Operating Expenses	\$ 17,457,016.98	\$ 15,923,810.31	\$ 1,533,206.67

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following is a graphic illustration of total operating expenses for June 30, 2007:



Capital Assets

At June 30, 2007, the College's capital assets totaled \$11,773,776.95, net of accumulated depreciation of \$6,215,436.77. This balance was slightly greater than the \$11,427,078.42 in capital assets shown on the College's June 30, 2006, financial statements. The current year increase is primarily due to the additional purchase of machinery and equipment and a restatement to capital assets for \$555,614.58. During the year, the useful lives of many capital assets were extended to properly reflect their use. Details of capital assets at June 30, 2007, and June 30, 2006, are shown below.

	2006-07	2005-06	Increase (Decrease)
Capital Assets, Nondepreciable:			
Land	\$ 618,443.39	\$ 618,443.39	\$ 0.00
Total Capital Assets, Nondepreciable	<u>618,443.39</u>	<u>618,443.39</u>	<u>0.00</u>
Capital Assets, Depreciable (Net):			
Buildings	9,575,372.08	9,755,445.52	(180,073.44)
General Infrastructure	473,911.64	294,595.07	179,316.57
Machinery and Equipment	1,106,049.84	758,594.24	347,455.60
Total Capital Assets, Depreciable (Net)	<u>11,155,333.56</u>	<u>10,808,634.83</u>	<u>346,698.73</u>
Total Capital Assets	<u>\$ 11,773,776.95</u>	<u>\$ 11,427,078.22</u>	<u>\$ 346,698.73</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Analysis of the Overall Financial Position

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, to the County. The College received its 2007-2008 State budget allocation of \$13,168,780 in August 2007. This represented an increase of \$1,510,654 or 13% from the previous year. Stanly Community College experienced enrollment growth for the 2006-07 academic year and the 2007-2008 State allocation reflects this increase. In addition, the increase in State funding for the 2007-2008 academic year includes a 4.0% to 5.0% salary increase for all full time employees, which represents salary increases of \$414,179. Enrollment is expected to continue to increase, due to the increase of online course offerings. Also, the College plans to implement Web Advisor during 2008, which will allow students the ability to register for courses and make payments online.

The College received county appropriations of \$1,422,857 for 2007-2008. This increase amounted to \$22,857, or 1.6% over the 2006-07 fiscal year.

The College has completed a Long Range Plan that has been approved by the NC Community College System Office, and is working to complete a Facilities Master Plan for both the Albemarle and Locust campuses. This Facilities Master Plan is expected to be completed by June 2008.

The College is entering into a partnership with the Universidad Tecnologica De Queretaro in Queretaro, Mexico to promote a cross-cultural exchange program with students and faculty.

Stanly Community College
Statement of Net Assets
June 30, 2007

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 445,376.32
Restricted Cash and Cash Equivalents	36,104.62
Receivables, Net (Note 3)	274,622.71
Due from Primary Government	8,296.59
Due from State of North Carolina Component Unit	7,451.49
Inventories	103,927.15
	<hr/>
Total Current Assets	875,778.88

Noncurrent Assets:

Restricted Due from Primary Government	176,829.24
Capital Assets - Nondepreciable (Note 4)	618,443.39
Capital Assets - Depreciable, Net (Note 4)	11,155,333.56
	<hr/>
Total Noncurrent Assets	11,950,606.19

Total Assets	<hr/> <hr/> 12,826,385.07
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	269,980.91
Unearned Revenue	92,627.66
Funds Held for Others	12,198.06
Long-Term Liabilities - Current Portion (Note 6)	29,947.29
	<hr/>
Total Current Liabilities	404,753.92

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	556,290.33
	<hr/>

Total Liabilities	<hr/> <hr/> 961,044.25
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NET ASSETS

Invested in Capital Assets	11,773,776.95
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Restricted for:

Expendable:

Scholarships and Fellowships	1,376.22
Loans	13,527.98
Capital Projects	168,382.60
Other	129.92

Unrestricted	(91,852.85)
	<hr/>

Total Net Assets	<hr/> <hr/> \$ 11,865,340.82
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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 Assets
For the Fiscal Year Ended June 30, 2007***

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	\$ 1,409,418.93
Federal Grants and Contracts	2,036,273.92
State and Local Grants and Contracts	351,754.90
Sales and Services, Net (Note 8)	911,747.97
Other Operating Revenues	89,525.33
	<hr/>
Total Operating Revenues	4,798,721.05
	<hr/>

EXPENSES

Operating Expenses:	
Personal Services	11,995,561.62
Supplies and Materials	2,241,033.03
Services	1,255,061.66
Scholarships and Fellowships	1,028,015.97
Utilities	340,639.70
Depreciation	596,705.00
	<hr/>
Total Operating Expenses	17,457,016.98
	<hr/>
Operating Loss	(12,658,295.93)
	<hr/>

NONOPERATING REVENUES

State Aid	9,565,722.53
County Appropriations	1,233,000.00
Noncapital Grants	227,642.39
Noncapital Gifts	175,954.27
Investment Income	30,338.44
Other Nonoperating Revenues	52,226.81
	<hr/>
Net Nonoperating Revenues	11,284,884.44
	<hr/>
Loss Before Other Revenues	(1,373,411.49)
	<hr/>
State Capital Aid	796,417.00
County Capital Aid	167,000.00
	<hr/>
Decrease in Net Assets	(409,994.49)
	<hr/>

NET ASSETS

Net Assets, July 1, 2006 as Restated (Note 14)	12,275,335.31
	<hr/>
Net Assets, June 30, 2007	\$ 11,865,340.82
	<hr/> <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, 2007***

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 4,819,600.60
Payments to Employees and Fringe Benefits	(11,953,955.81)
Payments to Vendors and Suppliers	(3,815,670.98)
Payments for Scholarships and Fellowships	(1,048,162.84)
Other Receipts	143,807.60
	<hr/>
Net Cash Used by Operating Activities	(11,854,381.43)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	9,565,722.53
County Appropriations	1,233,000.00
Noncapital Grants Received	205,024.89
Noncapital Gifts Received	175,954.27
	<hr/>
Cash Provided by Noncapital Financing Activities	11,179,701.69

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	686,291.17
County Capital Aid	167,000.00
Acquisition and Construction of Capital Assets	(404,756.15)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	448,535.02

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	30,338.44
	<hr/>
Cash Provided by Investing Activities	30,338.44

Net Decrease in Cash and Cash Equivalents	(195,806.28)
Cash and Cash Equivalents, July 1, 2006	677,287.22
	<hr/>
Cash and Cash Equivalents, June 30, 2007	\$ 481,480.94

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (12,658,295.93)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	596,705.00
Miscellaneous Nonoperating Income	69,193.97
Changes in Assets and Liabilities:	
Receivables, Net	18,787.50
Inventories	(2,617.52)
Accounts Payable and Accrued Liabilities	21,414.20
Unearned Revenue	59,652.02
Funds Held for Others	(3,093.21)
Compensated Absences	43,872.54
	<hr/>
Net Cash Used by Operating Activities	\$ (11,854,381.43)

***Stanly Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007***

***Exhibit A-3
Page 2***

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:

Cash and Cash Equivalents	\$	445,376.32
Restricted Cash and Cash Equivalents		<u>36,104.62</u>

Total Cash and Cash Equivalents - June 30, 2007 \$ 481,480.94

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	\$	132,743.33
Capital Asset Write-Offs		16,967.16

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

Stanly Community College Foundation, Inc.
Statement of Financial Position
December 31, 2006

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	440,572
Investment in Savings		1,229,681
Interest Receivable		8,707
Pledges Receivable		15,518
Property and Equipment, Net		<u>1,203,182</u>
Total Assets		<u>2,897,660</u>

NET ASSETS

Unrestricted		788,866
Temporarily Restricted		710,728
Permanently Restricted		<u>1,398,066</u>
Total Net Assets	\$	<u><u>2,897,660</u></u>

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 December 31, 2006

Exhibit B-2

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Contributions	\$ 6,445	\$ 310,413	\$ 469,263	\$ 786,121
Interest Income	8,134	59,142		67,276
Fund Raisers and Seminars	60	265		325
Other	95,550			95,550
Net Assets Released from Restrictions:				
Satisfaction of Purpose Restrictions	285,084	(285,084)		
Total Revenues and Other Support	<u>395,273</u>	<u>84,736</u>	<u>469,263</u>	<u>949,272</u>
EXPENSES				
Program Services	285,084			285,084
General and Administrative	22,964			22,964
Total Expenses	<u>308,048</u>			<u>308,048</u>
Increase in Net Assets	87,225	84,736	469,263	641,224
NET ASSETS				
Net Assets at Beginning of Year	<u>701,641</u>	<u>625,992</u>	<u>928,803</u>	<u>2,256,436</u>
Net Assets at End of Year	<u>\$ 788,866</u>	<u>\$ 710,728</u>	<u>\$ 1,398,066</u>	<u>\$ 2,897,660</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, 2007

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. Stanly 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 is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness.

Discretely Presented Component Unit - The Stanly Community College Foundation, Inc. (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.

As 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 16 members. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Statements. As such, certain revenue recognition criteria and presentation features are different from 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 are presented as of and for the fiscal year ended June 30, 2007. Financial statements for the Stanly Community College Foundation are presented as of and for the fiscal year ended December 31, 2006.

During the year ended June 30, 2007, the Foundation distributed \$249,347.26 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Rebecca Wall, Treasurer, 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 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 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.
- D. Cash and Cash Equivalents** - This classification includes petty cash, cash on deposit with private bank accounts, savings accounts, money

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

market accounts, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

- E. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies and inventories for resale, are valued at cost using the first-in, first-out method.
- G. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The 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 and/or units of output method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 50 years for buildings, and 2 to 25 years for equipment.

- H. 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.
- I. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include compensated absences that will not be paid within the next fiscal year.
- J. Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. Also, any accumulated vacation leave in excess of 30 days at year end is converted to sick leave. Under this

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous December 31 plus the leave earned, less the leave taken between January 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31 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.

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

K. 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 - 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.

L. Scholarship Discounts - Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

- M. Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net 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.

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

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 *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 Assets as cash and cash equivalents includes cash on hand totaling \$1,175.00, and deposits in private financial institutions with a carrying value of \$477,581.31, and a bank balance of \$545,423.08.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2007, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

Generally, funds belonging to the College may be invested in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3 (STIF), obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings 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 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.

At June 30, 2007, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$2,724.63, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (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 1.6 years as of June 30, 2007. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) 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.ncosc.net/> and clicking on "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Reconciliation of College Deposits and Investments

A reconciliation of deposits and investments for the College to the basic financial statements at June 30, 2007, is as follows:

Cash on Hand	\$	1,175.00
Carrying Amount of Deposits with Private Financial Institutions		477,581.31
Investments in the Short Term Investment Fund		<u>2,724.63</u>
Total Deposits and Investments	\$	<u>481,480.94</u>
Current:		
Cash and Cash Equivalents	\$	445,376.32
Restricted Cash and Cash Equivalents		<u>36,104.62</u>
Total	\$	<u>481,480.94</u>

Stanly Community College Foundation's Investments

Investments of the College's component unit, Stanly Community College Foundation, Inc. (the Foundation) are subject to and restricted by G.S. 36B "Uniform Management of Institutional Funds Act" (UMIFA) and any requirements placed on them by contract or donor agreements.

Current investment in savings consists entirely of four certificates of deposit whose maturity dates and penalty for withdrawal conditions do not meet the requirements of FAS-95 for classification as cash equivalents. The current certificates have maturity dates of four, seven, and eleven months from the year-end of December 31, 2006; the interest rates range from 4.7% to 5.4%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The fair value of the investments held by the fiscal agent at December 31, 2006, compared to their original cost basis was as follows:

	Cost	Carrying Value	Fair Value
Total Investments	\$ 1,229,681	\$ 1,229,681	\$ 1,229,681

NOTE 3 - RECEIVABLES

Receivables at June 30, 2007, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 267,902.79	\$ 53,176.84	\$ 214,725.95
Accounts	38,772.47		38,772.47
Intergovernmental	15,166.01		15,166.01
Other	5,958.28		5,958.28
Total Current Receivables	\$ 327,799.55	\$ 53,176.84	\$ 274,622.71

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2007, is presented as follows:

	Balance July 1, 2006 (as restated)	Increases	Decreases	Balance June 30, 2007
Capital Assets, Nondepreciable:				
Land	\$ 618,443.39	\$ 0.00	\$ 0.00	\$ 618,443.39
Total Capital Assets, Nondepreciable	618,443.39			618,443.39
Capital Assets, Depreciable:				
Buildings	13,904,157.91	105,150.34		14,009,308.25
Machinery and Equipment	1,861,436.31	259,892.81	103,888.47	2,017,440.65
General Infrastructure	1,304,308.43	39,713.00		1,344,021.43
Total Capital Assets, Depreciable	17,069,902.65	404,756.15	103,888.47	17,370,770.33
Less Accumulated Depreciation:				
Buildings	4,077,551.17	356,385.00		4,433,936.17
Machinery and Equipment	848,509.08	149,803.08	86,921.31	911,390.85
General Infrastructure	779,592.83	90,516.92		870,109.75
Total Accumulated Depreciation	5,705,653.08	596,705.00	86,921.31	6,215,436.77
Total Capital Assets, Depreciable, Net	11,364,249.57	(191,948.85)	16,967.16	11,155,333.56
Capital Assets, Net	\$ 11,982,692.96	\$ (191,948.85)	\$ 16,967.16	\$ 11,773,776.95

In addition, nonoperating revenues include an insurance recovery of \$250.00 related to prior year impairments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2007, were as follows:

	Amount
Accounts Payable	\$ 129,263.79
Accrued Payroll	112,541.44
Intergovernmental Payable	28,175.68
Total Accounts Payable and Accrued Liabilities	\$ 269,980.91

NOTE 6 - CHANGES IN LONG-TERM LIABILITIES

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

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion
Compensated Absences	\$ 542,365.08	\$ 355,894.00	\$ 312,021.46	\$ 586,237.62	\$ 29,947.29

NOTE 7 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2007:

Fiscal Year	Amount
2008	\$ 88,972.13
2009	28,760.04
2010	22,146.52
2011	18,180.00
2012	18,180.00
2013-2017	21,210.00
Total Minimum Lease Payments	\$ 197,448.69

Rental expense for all operating leases during the year was \$109,393.68.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees	\$ 2,024,488.78	\$ 582,432.18	\$ 32,637.67	\$ 1,409,418.93
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Dining	\$ 5,138.54	\$ 0.00	\$ 0.00	\$ 5,138.54
Bookstore	1,189,811.70	292,647.27	20,485.14	876,679.29
Athletic	29,984.14		54.00	29,930.14
Total Sales and Services	\$ 1,224,934.38	\$ 292,647.27	\$ 20,539.14	\$ 911,747.97

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Personal Services	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 7,382,080.96	\$ 952,497.80	\$ 307,265.88	\$ 8,975.33	\$ 855.53	\$ 0.00	\$ 8,651,675.50
Academic Support	815,426.43	38,525.13	41,800.61				895,752.17
Student Services	787,360.56	28,537.93	109,586.04	24,033.85			949,518.38
Institutional Support	2,338,635.78	105,088.81	518,508.22		25,000.00		2,987,232.81
Operations and Maintenance of Plant	508,015.22	267,535.69	110,371.72		314,784.17		1,200,706.80
Student Financial Aid			4,746.93	995,006.79			999,753.72
Auxiliary Enterprises	164,042.67	848,847.67	162,782.26				1,175,672.60
Depreciation						596,705.00	596,705.00
Total Operating Expenses	\$ 11,995,561.62	\$ 2,241,033.03	\$ 1,255,061.66	\$ 1,028,015.97	\$ 340,639.70	\$ 596,705.00	\$ 17,457,016.98

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2007, these rates were set at 2.66% of covered payroll for employers and 6% of covered payroll for members.

For the year ended June 30, 2007, the College had a total payroll of \$10,051,557.22, of which \$8,238,546.09 was covered under the Teachers' and State Employees' Retirement System. Total employee and employer contributions for pension benefits for the year were \$494,312.77 and \$219,145.33, respectively. The College made 100% of its annual required contributions for the years ended June 30, 2007, 2006, and 2005, which were \$219,145.33, \$169,162.79 and \$153,026.11, 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 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 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. The voluntary contributions by employees amounted to \$143,946.00 for the year ended June 30, 2007.

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 \$27,342.00 for the year ended June 30, 2007.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 3.8% of the covered payroll under the Teachers' and State Employees' Retirement System for these health care benefits. For the fiscal year ended June 30, 2007, the College's total contribution to the Plan was \$313,064.75. 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. Disability Income -** 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 term cost method. The College contributes .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. For the year ended June 30, 2007, the College's total contribution to the DIPNC was \$42,840.44. 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, and can include 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$75,000 deductible. Losses for employees paid from County and Institutional funds are covered by a \$100,000 blanket policy obtained through a private insurance company.

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. The employer contribution rate was .16% for the current fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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.

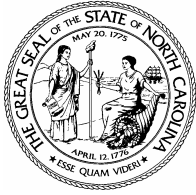
NOTE 13 - COMMITMENTS

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on other purchases were \$121,904.10 at June 30, 2007.

NOTE 14 - NET ASSET RESTATEMENTS

The restatement amount in the *Change in Capital Assets Valuation* line item represents adjustments to beginning balances of accumulated depreciation on capital assets previously reported as fully depreciated that remain in use. The amount in the *Change in Reporting Entity* line item represents a change in accounting related to the presentation of Stanly Community College Foundation from a blended component unit to a discretely presented component unit. As of July 1, 2006, net assets as previously reported was restated as follows:

	<u>Amount</u>
July 1, 2006 Net Assets as Previously Reported	\$ 13,976,156.27
Restatements:	
Change in Capital Assets Valuation	555,614.58
Change in Reporting Entity	<u>(2,256,435.54)</u>
July 1, 2006 Net Assets as Restated	<u>\$ 12,275,335.31</u>



STATE OF NORTH CAROLINA
Office of the State Auditor

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

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

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

Board of Trustees
Stanly Community College
Albemarle, North Carolina

We have audited the financial statements of Stanly 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, 2007, which collectively comprise the College's basic financial statements, and have issued our report thereon dated May 9, 2008. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the Stanly Community College Foundation, the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Stanly Community College Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with

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

generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 management of the College the Board of Trustees, the State Board of Community Colleges, the Governor, the State Controller, and the General Assembly, and is not intended to be and should not be used by anyone other than these specified parties.



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

May 9, 2008

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