STATE OF NORTH CAROLINA

SAMPSON COMMUNITY COLLEGE

CLINTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2008

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

Sampson Community College

Clinton, North Carolina

Financial Statement Audit Report

For the Year Ended June 30, 2008

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina
Board of Trustees, Sampson Community College

We have completed a financial statement audit of Sampson Community College for the year ended June 30, 2008, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

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, 2008, which collectively comprise the College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Sampson 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 Sampson 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 that entity, 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 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 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 provide 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 discretely presented component unit as of June 30, 2008, 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.

As discussed in Note 13 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 50, *Pension Disclosures*, during the year ended June 30, 2008.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2009, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Beth A. Wood, CPA
State Auditor

August 26, 2009

Purpose

The information in this section is intended to provide a general overview of the College's financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The College is required by Governmental Accounting Standards Board (GASB) to present three basic financial statements. Those statements are the *Statement of Net Assets*, *Statement of Revenues, Expenses, and Changes in Net Assets*, and the *Statement of Cash Flows*. These statements provide both long-term and short-term financial information for Sampson Community College. The user is encouraged to reference the appropriate section of the financial statements for the supporting detailed information. The Sampson Community College Foundation, Inc. is discretely presented as part of this year's financial statements. However, this discussion does not include the Foundation's activities. 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 investments, receivables, inventories, and notes receivable.

Current Assets	6/30/2008	6/30/2007	Variance	Variance %
Cash	$ 564,258.29	$ 528,274.88	$ 35,983.41	6.81 %
Restricted Cash and Cash Equivalents	281,825.73	72,377.24	209,448.49	289.38 %
Short-Term Investments	134,869.50	67,616.88	67,252.62	99.46 %
Restricted Short-Term Investments	18,951.70	19,791.73	(840.03)	(4.24) %
Receivables, Net	199,946.20	91,782.92	108,163.28	117.85 %
Due from State	300,000.00	300,000.00		
Inventories	115,392.79	136,677.79	(21,285.00)	(15.57) %
Notes Receivable, Net		271.80	(271.80)	(100.00) %
Total Current Assets	$ 1,615,244.21	$ 1,216,793.24	$ 398,450.97	32.75 %

Restricted Cash and Cash Equivalents increased by $209,448.49. The majority of this increase was due to private gifts received by the College totaling $172,000.00 for the Ammonia Refrigeration program. The College purchased two non-interest bearing certificates of deposit within the banking agreement during the fiscal year which increased Short-Term Investments by $65,000.00. Receivables, Net was increased by $50,264.30 due to the increase in the amount of bookstore credits due from vendors. Receivables, Net also increased by $29,580.53 which was a result in the increase of reimbursement due to the College from the Retirement System for short-term disability payments for employees. The College has receivables due for the Career Readiness Program of $10,013.85 and Pepsi Commission of $10,035.49, which resulted in an increase to Receivables, Net of $20,049.34. There was a decrease in notes receivable, net due to a student's payment of a loan.

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

Noncurrent Assets	6/30/2008	Restated 6/30/2007	Variance	Variance %
Restricted Cash and Cash Equivalents	$ 9,565.07	$ 9,523.23	$ 41.84	0.44 %
Endowment Investments	80,454.06	85,283.16	(4,829.10)	(5.66) %
Restricted Due from Primary Government	892,500.00		892,500.00	100.00 %
Capital Assets, Net	14,404,613.07	14,565,708.19	(161,095.12)	(1.11) %
Total Noncurrent Assets	$ 15,387,132.20	$ 14,660,514.58	$ 726,617.62	4.96 %

Restricted Due from Primary Government increased by $892,500.00 since money is due from the North Carolina Community College System Office (NCCCSO) for Construction Project 1654 (Refrigeration Training). The College recognized the entire $900,000.00 due from NCCCSO as revenue during this fiscal year, but the College has only recognized expenses of $7,500.00 for the construction project. 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.

The College uses straight-line depreciation to determine the current value of capital assets. In general, general infrastructure is depreciated over a 10-75 year period, buildings are depreciated over a 10-50 year period, and equipment is depreciated in 2-25 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. The current and long-term portion is also made up of a $499,926.42 note payable from BB&T for a Guaranteed Energy Savings Contract.

Liabilities	6/30/2008	Restated 6/30/2007	Variance	Variance %
Current	$ 322,181.45	$ 305,173.37	$ 17,008.08	5.57 %
Long-Term	1,054,238.75	1,116,783.35	(62,544.60)	(5.60) %
Total Liabilities	$ 1,376,420.20	$ 1,421,956.72	$ (45,536.52)	(3.20) %

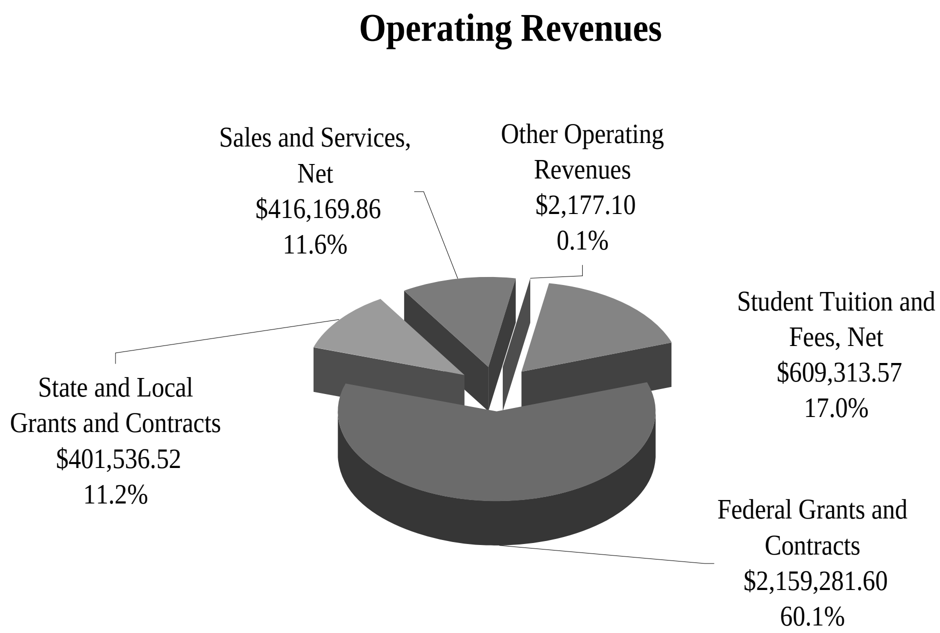
Net Assets

Net assets are a measure of the value of all the College's assets after liabilities and depreciation are deducted. The majority of the increase to restricted net assets is the result of an increase of $892,500.00 due to revenue allocated from NCCCSO for Construction Project 1654 (Refrigeration Training). Unrestricted net assets increased by $390,740.70 as the result of the College receiving $170,000.00 in private gifts for the Ammonia Refrigeration program, $74,432 more in county appropriations, decreases in expenses in plant maintenance and the bookstore of $83,001.13, and various other expense decreases.

Net Assets	6/30/2008	Restated 6/30/2007	Variance	Variance %
Invested in Capital Assets	$ 14,404,613.07	$ 14,565,708.19	$ (161,095.12)	(1.11) %
Restricted	1,387,066.22	446,112.69	940,953.53	210.92 %
Unrestricted	(165,723.08)	(556,469.78)	390,746.70	70.22 %
Total Net Assets	$ 15,625,956.21	$ 14,455,351.10	$ 1,170,605.11	8.10 %

Revenues

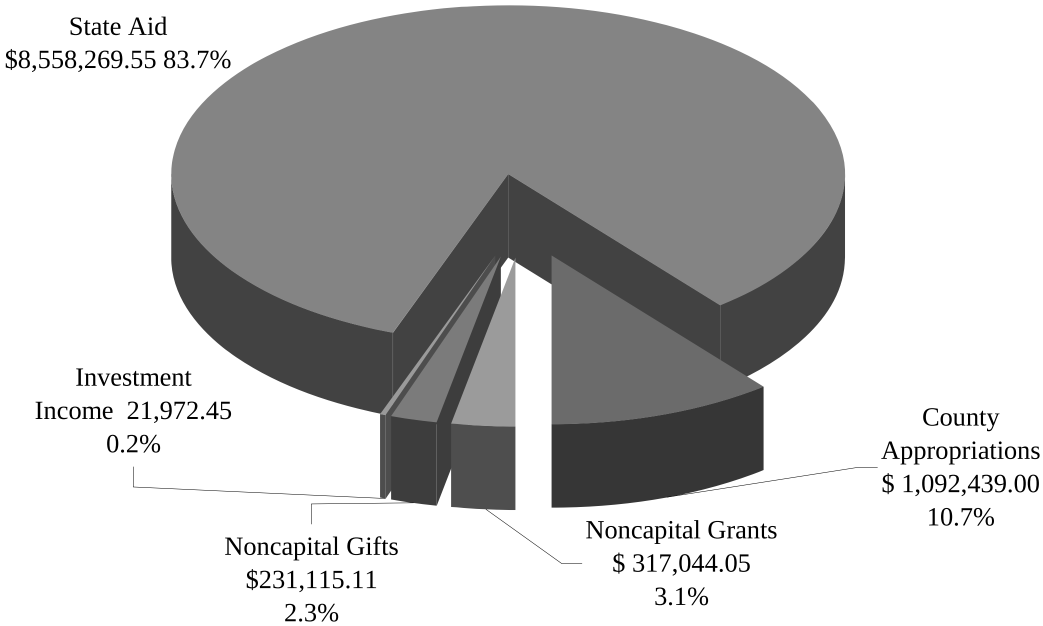
The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees, federal, State and local grants and contracts, and the revenue received from sales and services, principally comprised of the revenue received from the bookstore, vending, and the rental of the food service operation. The largest operating revenue ($2,159,281.60) accrues from the College's participation in Federal Title IV financial aid programs, including Pell Grants. State and local grants and contracts had a decrease of $97,738.95. The majority of this variance is due to the increase of $105,551.97 for scholarship revenue and the decrease of $300,000.00 for the Golden Leaf-Ammonia Refrigeration Grant revenue that was recognized in the 2006-2007 fiscal year.



Operating Revenues		6/30/2008		6/30/2007		Variance	Variance %
Student Tuition and Fees, Net	$	609,313.57	$	624,753.08	$	(15,439.51)	(2.47) %
Federal Grants and Contracts		2,159,281.60		2,151,594.98		7,686.62	0.36 %
State and Local Grants and Contracts		401,536.52		499,275.47		(97,738.95)	(19.58) %
Sales and Services, Net		416,169.86		415,575.69		594.17	(0.14) %
Other Operating Revenues		2,177.10		3,214.82		(1,037.72)	(32.28) %
Total Operating Revenues	$	3,588,478.65	$	3,694,414.04	$	(105,935.39)	(2.87) %

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. The large increase in the Noncapital Gifts is the result of $170,000.00 received from private gifts for the Ammonia Refrigeration program.

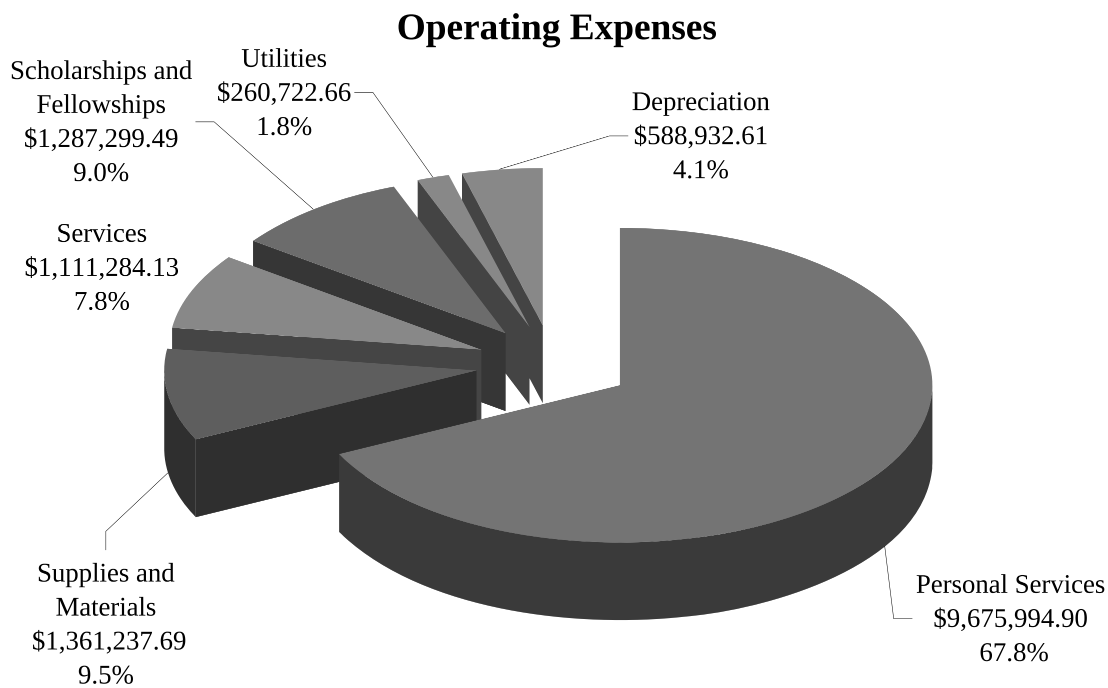
Nonoperating Revenues



Nonoperating Revenues	6/30/2008	6/30/2007	Variance	Variance %
State Aid	$ 8,558,269.55	$ 7,927,574.88	$ 630,694.67	7.96 %
County Appropriations	1,092,439.00	1,018,007.00	74,432.00	7.31 %
Noncapital Grants	317,044.05	326,561.26	(9,517.21)	(2.91) %
Noncapital Gifts	231,115.11	63,366.37	167,748.74	264.73 %
Investment Income	21,972.45	26,254.39	(4,281.94)	(16.31) %
Total Nonoperating Revenues	$ 10,220,840.16	$ 9,361,763.90	$ 859,076.26	9.18 %

Operating Expenses

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits identified as Personal Services. The majority of the variance in depreciation was due to a depreciation adjustment totaling $109,081.11 that was made to capital assets for the purpose of correcting the useful life extension.



Operating Expenses	6/30/2008	6/30/2007	Variance	Variance %
Personal Services	$ 9,675,994.90	$ 9,150,334.72	$ 525,660.18	5.74 %
Supplies and Materials	1,361,237.69	1,358,786.16	2,451.53	0.18 %
Services	1,111,284.13	1,039,250.12	72,034.01	6.93 %
Scholarships and Fellowships	1,287,299.49	1,180,192.24	107,107.25	9.08 %
Utilities	260,722.66	244,980.59	15,742.07	6.43 %
Depreciation	588,932.61	458,753.33	130,179.28	28.38 %
Total Expenses	$ 14,285,471.48	$ 13,432,297.16	$ 853,174.32	6.35 %

Nonoperating Expenses

Nonoperating expenses are comprised of $22,255.23 for the interest expense on the BB&T Guaranteed Energy Savings Contract.

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. 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.

Capital Contributions	6/30/2008	6/30/2007	Variance	Variance %
State Capital Aid	$ 1,485,367.73	$ 208,514.29	$ 1,276,853.44	612.36 %
County Capital Aid	147,124.94	154,712.50	(7,587.56)	(4.90) %
Capital Grants	34,520.34		34,520.34	100.00 %
Capital Gifts	2,000.00	1,504.00	496.00	32.98 %
Total Capital Contributions	$ 1,669,013.01	$ 364,730.79	$ 1,304,282.22	357.60 %

The NCCCSO allocated $900,000.00 for Construction Project 1654 (Refrigeration Training), which increased state capital aid. The College received private gifts of $2,000.00 for the Ammonia Refrigeration program which increased capital gifts. The increase in capital grants is the result of federal allocations for equipment of $33,109.01 to Vocational Education (Perkins) and $1,411.33 to Tech Prep.

Significant Effects on Financial Position

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

1. Because of the degree of support received from the NCCCSO, changes in state funding as a result of enrollment increases or decreases significantly affect the financial position of the College. Curriculum enrollment declined from an institutional high in 2002-2003 of 1158 FTE to 1058 FTE in 2006-2007. During this same period, occupational extension enrollment offset this decline with an increase from 235 FTE to 294 FTE. Therefore, for fiscal year 2008-2009, state funding is expected to reflect a loss in enrollment funding in the NCCCSO formula allocations.
2. In FY 2007-2008, the Sampson Early College High School admitted the third class to the campus bringing the total headcount enrollment for the program to approximately 150 students. While these students provide additional curriculum enrollment, enrollment in high school courses contribute significantly to the operational cost of the campus that is not reflected in local funding.
3. During the next two fiscal years, the College is expected to complete two additional buildings, adding approximately 30,000 square feet to operate and maintain. Increases in local funding continue to fail to meet the increases in cost of utilities and building maintenance. The cost of operation of these new facilities must be fully funded by the county to prevent further erosion in the operational and maintenance support for the remainder of the campus.
4. With the help of architectural and engineering consultation, building master planning was completed and identified $319,900 in anticipated renovation and rehabilitation costs of building and mechanical systems during the next six years. These costs are expected to require the appropriation of special capital funds from the county during this period.

Economic Forecast

The College completed a long range plan during the 2008 spring semester. Projections for curriculum enrollment growth through 2011-12 were modest (< 10%) with a five year average of 1125 FTE. Occupational extension enrollment was projected to increase by 18% to 270 FTE during this same period. Basic skills enrollment was expected to increase modestly consistent with that for the NCCCSO. Completing the complement of classes, the Sampson Early College High School will admit the fourth class in FY 2008-2009 bringing the total enrollment in the program to approximately 180 students. While the influx of these students has provided enrollment growth, further growth from this student group is not expected. These enrollment patterns are expected to provide for incremental increases in state funding through 2010-2011.

Funding from local sources is expected to continue modest growth with increases in the College's annual operational costs approximating or exceeding any increases in local funding. In FY 2008-2009, the property tax rate for Sampson County was assessed at 84.5 cents per $100 valuation positioning the county above other regional counties in the tax levy. Further increases in the assessment are expected to be politically more difficult limiting the ability of local leaders to address the growing needs of the public schools, agencies, and the College. The local property tax base is expected to grow at 2.0% to 2.5% annually. As a result, revenue available to local government and the College's potential for receiving significant increases in local operational support will be limited.

During FY 2007-2008, steep increases in the cost of gasoline dramatically affected the cost of attendance for students. Commuting costs are expected to remain a principal concern for all students contributing to growing interests in course schedules which minimize multiple day course delivery or for courses delivered through distance education. Further increases in energy cost may lead to more pervasive changes in course scheduling and possible alternation in work schedules for employees.

The county's economy remains overwhelmingly dependent upon agricultural income. Industry leaders in the pork and poultry production continue to voice concerns about profitability with market prices not meeting production costs. Increases in grain and fuel prices pose ongoing threats to the vitality of the county's largest agricultural industries. Significant industrial growth or expansion is not expected. The decrease in agricultural income could result in less county money appropriated to the College.

During FY 2008-2009, the State of North Carolina has required a reversion of 4% of all NCCCSO institutions' operating funds in response to shortfalls in tax revenues as North Carolina moved into the national recession. The institution has responded with management strategies which have included budgeting reserves in anticipation of the shortfall, imposing spending restrictions on travel and current expense purchases, and, on a limited basis, allowing vacant positions to remain unfilled.

The College is aware that the NCCCSO and state agencies have been requested to develop FY 2009-2010 budgets with up to 7% reductions in operating funds. While this expectation has not directly been communicated to institutions, some type of budget reduction is anticipated in both state and local funds for the fiscal year. Some mitigation of this reduction in state funds may be offset by any enrollment growth funds provided by the General Assembly in FY 2009-2010. During the 2008-2009 academic year, the College experienced almost 10% growth in both occupational and curriculum program enrollment. Therefore, the final implications for these competing budget forces will not be known until annual institutional budgets are provided by the NCCCSO. In the interim, conservative management practices will prevail.

Sampson Community College
Statement of Net Assets
June 30, 2008 ***Exhibit A-1***

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 564,258.29
Restricted Cash and Cash Equivalents	281,825.73
Short-Term Investments	134,869.50
Restricted Short-Term Investments	18,951.70
Receivables, Net (Note 4)	199,946.20
Due from State of North Carolina Component Units	300,000.00
Inventories	115,392.79
Total Current Assets	1,615,244.21
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	9,565.07
Restricted Due from Primary Government	892,500.00
Endowment Investments	80,454.06
Capital Assets - Nondepreciable (Note 5)	88,450.25
Capital Assets - Depreciable, Net (Note 5)	14,316,162.82
Total Noncurrent Assets	15,387,132.20
Total Assets	17,002,376.41
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 6)	158,126.56
Due to Primary Government	3,604.99
Unearned Revenue	22,915.60
Funds Held for Others	9,817.57
Long-Term Liabilities - Current Portion (Note 7)	127,716.73
Total Current Liabilities	322,181.45
Noncurrent Liabilities:	
Long-Term Liabilities (Note 7)	1,054,238.75
Total Liabilities	1,376,420.20
NET ASSETS	
Invested in Capital Assets	14,404,613.07
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	80,454.06
Expendable:	
Scholarships and Fellowships	387,615.78
Loans	6,706.56
Capital Projects	912,289.82
Unrestricted	(165,723.08)
Total Net Assets	$ 15,625,956.21

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

Sampson Community College
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2008 — *Exhibit A-2*

REVENUES	
Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	$ 609,313.57
Federal Grants and Contracts	2,159,281.60
State and Local Grants and Contracts	401,536.52
Sales and Services, Net (Note 8)	416,169.86
Other Operating Revenues	2,177.10
Total Operating Revenues	3,588,478.65
EXPENSES	
Operating Expenses:	
Personal Services	9,675,994.90
Supplies and Materials	1,361,237.69
Services	1,111,284.13
Scholarships and Fellowships	1,287,299.49
Utilities	260,722.66
Depreciation	588,932.61
Total Operating Expenses	14,285,471.48
Operating Loss	(10,696,992.83)
NONOPERATING REVENUES (EXPENSES)	
State Aid	8,558,269.55
County Appropriations	1,092,439.00
Noncapital Grants	317,044.05
Noncapital Gifts	231,115.11
Investment Income	21,972.45
Interest on Debt	(22,255.23)
Net Nonoperating Revenues	10,198,584.93
Loss Before Other Revenues (Expenses)	(498,407.90)
State Capital Aid	1,485,367.73
County Capital Aid	147,124.94
Capital Grants	34,520.34
Capital Gifts	2,000.00
Increase in Net Assets	1,170,605.11
NET ASSETS	
Net Assets, July 1, 2007, as Restated (Note 14)	14,455,351.10
Net Assets, June 30, 2008	$ 15,625,956.21

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

Sampson Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2008 ***Exhibit A-3***

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 3,488,539.81
Payments to Employees and Fringe Benefits	(9,655,630.72)
Payments to Vendors and Suppliers	(2,711,610.01)
Payments for Scholarships and Fellowships	(1,287,299.49)
Collection of Loans to Students	271.80
Other Receipts	52.70
Net Cash Used by Operating Activities	(10,165,675.91)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	8,558,269.55
County Appropriations	1,092,439.00
Noncapital Grants Received	302,044.11
Noncapital Gifts Received	231,115.11
Principal Paid on Noncapital Debt	(59,991.24)
Interest Paid on Noncapital Debt	(22,255.23)
Net Cash Provided by Noncapital Financing Activities	10,101,621.30
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	592,867.73
County Capital Aid	147,124.94
Capital Grants Received	34,520.34
Capital Gifts Received	2,000.00
Acquisition and Construction of Capital Assets	(427,837.49)
Net Cash Provided by Capital and Related Financing Activities	348,675.52
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	5,000.00
Investment Income	20,852.83
Purchase of Investments	(65,000.00)
Net Cash Used by Investing Activities	(39,147.17)
Net Increase in Cash and Cash Equivalents	245,473.74
Cash and Cash Equivalents, July 1, 2007	610,175.35
Cash and Cash Equivalents, June 30, 2008	$ 855,649.09

RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(10,696,992.83)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		588,932.61
Changes in Assets and Liabilities:		
Receivables, Net		(93,627.21)
Inventories		21,285.00
Notes Receivable, Net		271.80
Accounts Payable and Accrued Liabilities		28,559.72
Due to Primary Government		662.12
Unearned Revenue		(6,311.63)
Funds Held for Others		52.70
Compensated Absences		(8,508.19)
Net Cash Used by Operating Activities	$	(10,165,675.91)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	564,258.29
Restricted Cash and Cash Equivalents		281,825.73
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		9,565.07
Total Cash and Cash Equivalents - June 30, 2008	$	855,649.09

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	$	1,583.49
Increase in Receivables Related to Nonoperating Income		907,499.94

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, 2008 ***Exhibit B-1***

ASSETS		
Cash and Cash Equivalents	$	124,580
Certificates of Deposits		687,417
Investment Securities		329,350
Contributions Receivable		62,585
Student Loans		4,380
Accrued Interest Receivable		12,332
Total Assets		1,220,644
LIABILITIES		
Accrued Payroll Benefits		3,800
NET ASSETS		
Unrestricted		259,931
Temporarily Restricted		371,922
Permanently Restricted		584,991
Total Net Assets	$	1,216,844

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

Sampson Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2008 ***Exhibit B-2***

CHANGES IN UNRESTRICTED NET ASSETS		
Revenues, Gains and Other Support:		
Contributions	$	62,260
Special Events		18,667
Interest and Dividends		68
Total Unrestricted Revenues, Gains and Other Support		80,995
Net Assets Released from Restrictions:		
Temporarily Restricted to Unrestricted		108,487
Total Unrestricted Revenues and Gains		189,482
Expenses and Losses:		
Uncollectible Pledges		2,095
Investment Loss		21,843
Program Expenditures		147,322
Fund Raising		28,349
Administrative		53,796
Total Expenses		253,405
Decrease in Unrestricted Net Assets		(63,923)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Revenues, Gains, and Other Support:		
Contributions		122,616
Special Events		11,028
Interest and Dividends		24,719
Investment Gains		642
Net Assets Released from Restrictions:		
Temporarily Restricted to Unrestricted		(108,487)
Total Temporarily Restricted Revenues, Gains and Other Support		50,518
Expenses and Losses:		
Uncollectible Pledges		1,200
Investment Loss		3,506
Total Expenses		4,706
Increase in Temporarily Restricted Net Assets		45,812

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Revenues, Gains, and Other Support:	
Contributions	40,409
Special Events	1,500
Interest and Dividends	2,229
Total Permanently Restricted Revenues, Gains and Other Support	44,138
Expenses and Losses:	
Investment Loss	(2,607)
Increase in Permanently Restricted Net Assets	41,531
Net Increase in Net Assets	23,420
Net Assets at Beginning of Year	1,193,424
Net Assets at End of Year	$ 1,216,844

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. **Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. 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 its 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 units' financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their legal separateness.

Discretely Presented Component Unit – The Sampson 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. 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 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 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.

During the year ended June 30, 2008, the Foundation distributed $161,342.09 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 GASB.

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

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

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

G. **Inventories** - Inventories, consisting of expendable supplies and merchandise for resale, are valued at the lower of cost or market 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 10 to 75 years for general infrastructure, 10 to 50 years for buildings, and 2 to 25 years for equipment.

I. **Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted or designated for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.

J. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include notes payable and compensated absences that will not be paid within the next fiscal year.

K. **Compensated Absences** - The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 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 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.

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 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 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 *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 $555.00 and deposits in private financial institutions with a carrying value of $855,094.09 and a bank balance of $868,497.77. Also, the College has certificates of deposit of $234,275.26.

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, 2008, 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.

Except as specified by the donor, endowment funds belonging to the College may be invested pursuant to G.S. 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, 2008, the College's investments consisted of certificates of deposit as discussed above.

Reconciliation of the College's Deposits and Investments

A reconciliation of deposits and investments for the College to the basic financial statements at June 30, 2008, is as follows:

Cash on Hand	$	555.00
Carrying Amount of Deposits with Private Financial Institutions		855,094.09
Investments in Certificates of Deposit		234,275.26
Total Deposits and Investments	$	1,089,924.35
Current:		
Cash and Cash Equivalents	$	564,258.29
Restricted Cash and Cash Equivalents		281,825.73
Short-Term Investments		134,869.50
Restricted Short-Term Investments		18,951.70
Noncurrent:		
Restricted Cash and Cash Equivalents		9,565.07
Endowment Investments		80,454.06
Total	$	1,089,924.35

Sampson Community College Foundation's Investments

Investments of the College's component unit, Sampson Community College Foundation, Inc., 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. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required.

The following is an analysis of investments by type:

Investment Type		Value at June 30, 2008
Certificates of Deposit	$	687,417
Investment Securities		329,350
Total	$	1,016,767

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. At June 30, 2008, net appreciation of $2,680.46 was available to be spent, all of which was restricted to specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2008, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 27,920.20	$ 2,023.81	$ 25,896.39
Accounts	146,799.32		146,799.32
Intergovernmental	15,182.50		15,182.50
Investment Earnings	943.09		943.09
Other	11,124.90		11,124.90
Total Current Receivables	$ 201,970.01	$ 2,023.81	$ 199,946.20
Notes Receivable:			
Notes Receivable - Current:			
State Loan Programs	$ 481.33	$ 481.33	$ 0.00
Institutional Student Loan Programs	7,063.37	7,063.37	
Total Notes Receivable - Current	$ 7,544.70	$ 7,544.70	$ 0.00

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2008, is presented as follows:

	Balance July 1, 2007 (as restated)	Increases	Decreases	Balance June 30, 2008
Capital Assets, Nondepreciable:				
Land	$ 80,950.25	$ 0.00	$ 0.00	$ 80,950.25
Construction in Progress		7,500.00		7,500.00
Total Capital Assets, Nondepreciable	80,950.25	7,500.00		88,450.25
Capital Assets, Depreciable:				
Buildings	16,251,244.40	102,440.82		16,353,685.22
Machinery and Equipment	2,312,058.54	317,896.67	8,294.50	2,621,660.71
General Infrastructure	910,741.71			910,741.71
Total Capital Assets, Depreciable	19,474,044.65	420,337.49	8,294.50	19,886,087.64
Less Accumulated Depreciation:				
Buildings	3,834,691.74	433,897.40		4,268,589.14
Machinery and Equipment	944,731.07	137,036.29	8,294.50	1,073,472.86
General Infrastructure	209,863.90	17,998.92		227,862.82
Total Accumulated Depreciation	4,989,286.71	588,932.61	8,294.50	5,569,924.82
Total Capital Assets, Depreciable, Net	14,484,757.94	(168,595.12)		14,316,162.82
Capital Assets, Net	$ 14,565,708.19	$ (161,095.12)	$ 0.00	$ 14,404,613.07

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2008, were as follows:

	Amount
Accounts Payable	$ 31,382.49
Accrued Payroll	126,744.07
Total Accounts Payable and Accrued Liabilities	$ 158,126.56

NOTE 7 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities – A summary of changes in the long-term liabilities is presented as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
Notes Payable	$ 559,917.66	$ 0.00	$ 59,991.24	$ 499,926.42	$ 59,991.24
Compensated Absences	690,537.25	387,256.69	395,764.88	682,029.06	67,725.49
Total Long-Term Liabilities	$ 1,250,454.91	$ 387,256.69	$ 455,756.12	$ 1,181,955.48	$ 127,716.73

B. Notes Payable – The College was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through 06/30/2008	Principal Outstanding 06/30/2008
Guaranteed Energy Savings Contract	BB&T	4.18%	10/13/2016	$ 689,898.68	$ 189,972.26	$ 499,926.42

The annual requirements to pay principal and interest on the notes payable at June 30, 2008, are as follows:

Fiscal Year	Annual Requirements Notes Payable Principal	Annual Requirements Notes Payable Interest
2009	$ 59,991.24	$ 19,747.60
2010	59,991.24	17,239.96
2011	59,991.24	14,732.32
2012	59,991.24	12,224.69
2013	59,991.24	9,717.06
2014-2017	199,970.22	14,280.08
Total Requirements	$ 499,926.42	$ 87,941.71

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	$ 1,749,690.17	$ 1,139,631.95	$ 744.65	$ 609,313.57
Sales and Services	$ 762,207.94	$ 344,758.92	$ 1,279.16	$ 416,169.86

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	$ 5,663,639.55	$ 535,590.33	$ 348,264.76	$ 397.55	$ 0.00	$ 0.00	$ 6,547,892.19
Academic Support	933,706.88	80,443.59	46,221.88				1,060,372.35
Student Services	910,635.80	21,481.01	78,539.95	30,466.73			1,041,123.49
Institutional Support	1,697,319.44	83,380.04	445,646.57				2,226,346.05
Operations and Maintenance of Plant	373,102.19	82,559.31	167,948.35		260,722.66		884,332.51
Student Financial Aid			11,830.78	1,246,662.49			1,258,493.27
Auxiliary Enterprises	97,591.04	557,783.41	12,831.84	9,772.72			677,979.01
Depreciation						588,932.61	588,932.61
Total Operating Expenses	$ 9,675,994.90	$ 1,361,237.69	$ 1,111,284.13	$ 1,287,299.49	$ 260,722.66	$ 588,932.61	$ 14,285,471.48

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, 2008, these rates were set at 3.05% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of $8,026,630.96, of which $7,199,090.80 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were $219,572.27 and $431,945.45, respectively.

Required employer contribution rates for the years ended June 30, 2007, and 2006, were 2.66% and 2.34%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2008, 2007, and 2006, which were $219,572.27, $182,757.75, and $157,779.03, 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.ncosc.net/ and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

B. Supplemental Retirement Income Plan - 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. The voluntary contributions by employees amounted to $51,963.00 for the year ended June 30, 2008.

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 $103,372.00 for the year ended June 30, 2008.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

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

The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

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

For the current fiscal year, the College contributed 4.1% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2007, and 2006, were 3.8% and 3.8%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2008, 2007, and 2006, which were $295,162.72, $261,082.51, and $256,222.36, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.ncosc.net/ and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

B. **Disability Income** - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly. For the fiscal year ended June 30, 2008, the College made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2007, and 2006, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2008, 2007, and 2006, which were $37,435.27, $35,727.08, and $35,062.01, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

Additional detailed information about the DIPNC is disclosed in the State of North Carolina's *Comprehensive Annual Financial Report*.

NOTE 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. 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 $1,000,000 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. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance with coverage of $5,000,000 per occurrence with a $75,000 deductible and a 10% participation in each loss above the 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 protections with coverage of $50,000 per occurrence with a $250 deductible.

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.

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 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2008, the College implemented the following pronouncements issued by the GASB:

> GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.
>
> GASB Statement No. 50, *Pension Disclosures*.

GASB Statement No. 45, requires cost-sharing employers to recognize Other Postemployment Benefits (OPEB) expense for their contractually required contributions to the plan generally consistent with the approach adopted in GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, with modifications to reflect differences between pension benefits and OPEB.

GASB Statement No. 50, aligns financial reporting requirements for pensions with those of other postemployment benefits, to conform with GASB Statement No. 45. This Statement amends GASB Statement No. 27 to require note disclosure of the employer contribution rates and percentage of the amount contributed for the current and preceding two years and to disclose how the required contribution rates are established.

NOTE 14 - NET ASSET RESTATEMENT

As of July 1, 2007, net assets, as previously reported, were restated as follows:

		Amount
July 1, 2007, Net Assets, as Previously Reported	$	14,410,198.43
Restatements:		
Correction of Error in Estimate of Useful Lives of Capital Assets		45,152.67
July 1, 2007, Net Assets, as Restated	$	14,455,351.10

STATE OF NORTH CAROLINA
Office of the 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*

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, 2008, which collectively comprise the College's basic financial statements, and have issued our report thereon dated August 26, 2009. Our report was modified to include a reference to other auditors.

As discussed in Note 13 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 50, *Pension Disclosures*, during the year ended June 30, 2008.

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 Sampson Community College Foundation, Inc., the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the discretely presented component unit 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.

**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)**

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 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.

<u>Compliance and Other Matters</u>

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, others within the entity, 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.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

August 26, 2009

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Audit reports issued by the Office of the State Auditor can be obtained from the web site at www.ncauditor.net. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

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