

# STATE OF NORTH CAROLINA

**SAMPSON COMMUNITY COLLEGE**

**CLINTON, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2010**

**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, 2010**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

**DR. R. SCOTT RALLS, PRESIDENT**

**BOARD OF TRUSTEES**

**LARRY M. BARNES, CHAIRMAN**

**ADMINISTRATIVE OFFICERS**

**DR. WILLIAM C. AIKEN, PRESIDENT**

**VIRGINIA S. LUCAS, VICE PRESIDENT OF FINANCE**



**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the 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 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, 2010, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

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

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

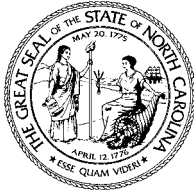
A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

# TABLE OF CONTENTS

---

	PAGE
INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	3
BASIC FINANCIAL STATEMENTS	
College Exhibits	
A-1 Statement of Net Assets .....	11
A-2 Statement of Revenues, Expenses, and Changes in Net Assets .....	12
A-3 Statement of Cash Flows .....	13
Component Unit Exhibits	
B-1 Statement of Financial Position .....	15
B-2 Statement of Activities .....	16
Notes to the Financial Statements .....	19
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> .....	35
ORDERING INFORMATION .....	37



**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the 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**

---

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, 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of 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 the component unit, 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 opinion.

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 units as of June 30, 2010, 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.

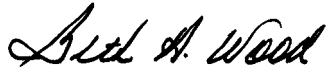
As discussed in Note 14 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

---

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011 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, 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 required supplementary information. However, we did not audit the information and express no opinion on it.



Beth A. Wood, CPA  
State Auditor

June 28, 2011

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

---

**Purpose**

This information in this section is intended to provide a general overview of the College's financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The 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 user should also review the notes to the financial statements to enhance their understanding of the financial performance. 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.

<u>Current Assets</u>	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>Variance</u>	<u>Variance %</u>
Cash and Cash Equivalents	\$ 710,249.45	\$ 557,882.76	\$ 152,366.69	27.31%
Restricted Cash and Cash Equivalents	413,642.26	325,101.81	88,540.45	27.23%
Short-Term Investments	136,842.65	136,171.49	671.16	0.49%
Restricted Short-Term Investments	19,395.14	19,249.17	145.97	0.76%
Receivables, Net	107,584.53	158,689.80	(51,105.27)	-32.20%
Due from State Component Units	61,016.70	300,000.00	(238,983.30)	-79.66%
Inventories	139,628.95	141,105.90	(1,476.95)	-1.05%
Notes Receivable, Net	2,929.89	3,293.63	(363.74)	-11.04%
Total Current Assets	<u>\$ 1,591,289.57</u>	<u>\$ 1,641,494.56</u>	<u>\$ (50,204.99)</u>	<u>-3.06%</u>

The College's cash increased due to enrollment growth, which resulted in an increase in fee collections from students. Restricted cash and cash equivalents had increases due to the College receiving private gifts of \$22,500 for the Ammonia Refrigeration program and \$36,508.69 of additional technology fees collected from students. The receivables decrease is primarily due to a \$48,157.81 decrease in bookstore receivables. This decrease was a result of less bookstore credit memos owed to the College as of June 30, 2010. The College received \$258,983.30 from Golden Leaf for the Ammonia Refrigeration Program Grant which decreased the College's due from state component units. The College also received a grant from Golden Leaf for the Truck Driver Training Program in the amount of \$100,000, of which \$80,000 was received during the 2009-2010 fiscal year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

<u>Noncurrent Assets</u>	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>Variance</u>	<u>Variance %</u>
Restricted Cash and Cash Equivalents	\$ 0.00	\$ 12,358.25	\$ (12,358.25)	-100.00%
Restricted Investments	80,629.85	80,569.60	60.25	0.07%
Restricted Due from Primary Government	48,850.78	887,115.74	(838,264.96)	-94.49%
Capital Assets, Net	<u>15,638,630.32</u>	<u>14,223,037.23</u>	<u>1,415,593.09</u>	<u>9.95%</u>
Total Noncurrent Assets	<u>\$ 15,768,110.95</u>	<u>\$ 15,203,080.82</u>	<u>\$ 565,030.13</u>	<u>3.72%</u>

Restricted due from primary government decreased by \$838,264.96. The remaining amount of \$48,850.78 is due from the North Carolina Community College System Office (NCCCSO) for Construction Project 1654 (Refrigeration Training). During the current fiscal year, the College received \$90,000 from the NCCCSO for construction project 1695 (Nursing Allied Health Program) and \$748,264.96 for construction project 1654. 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 change in capital assets is due to increases in construction in progress and machinery and equipment. The increases to construction in progress include \$765,981.36 as a result of the Ammonia Refrigeration Building nearing completion. Equipment purchases also increased and a majority of this was due to the college purchasing \$734,002.01 of equipment for the Ammonia Refrigeration Program. 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 \$379,943.94 note payable from BB&T for a Guaranteed Energy Savings Contract. Long-term liabilities decreased in part due to the College paying down \$59,991.24 of the Guaranteed Energy Savings Contract.

<u>Liabilities</u>	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>Variance</u>	<u>Variance %</u>
Current	\$ 335,916.73	\$ 296,208.17	\$ 39,708.56	13.41%
Long-Term	<u>915,706.62</u>	<u>1,041,926.70</u>	<u>(126,220.08)</u>	<u>-12.11%</u>
Total Liabilities	<u>\$ 1,251,623.35</u>	<u>\$ 1,338,134.87</u>	<u>\$ (86,511.52)</u>	<u>-6.47%</u>



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

---

### **Net Assets**

Net assets are a measure of the value of all the College's assets after liabilities and depreciation are deducted. The College's net assets increased by \$601,336.66. Net assets invested in Capital Assets increased by \$1,415,593.09 as a direct result of the Capital Asset increase discussed in the Institutional Assets section of the Management's Discussion and Analysis. Restricted net assets had a decrease due to the College receiving and expending \$90,000 and \$748,264.96 from the North Carolina Community College System Office for construction project 1695 and 1694, respectively. The deficient in unrestricted net assets increased by \$12,916.66 as a result of various expense increases.

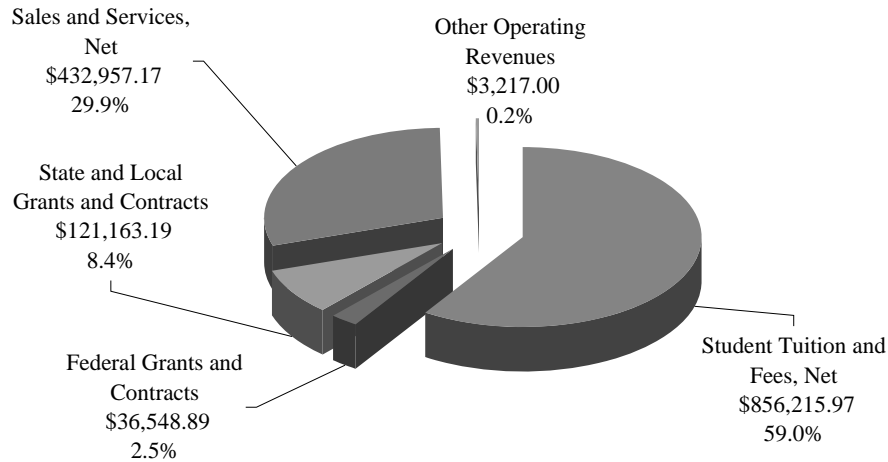
<u>Net Assets</u>	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>Variance</u>	<u>Variance %</u>
Invested in Capital Assets	\$ 15,638,630.32	\$ 14,223,037.23	\$ 1,415,593.09	9.95%
Restricted	592,124.72	1,393,464.49	(801,339.77)	-57.51%
Unrestricted	<u>(122,977.87)</u>	<u>(110,061.21)</u>	<u>(12,916.66)</u>	-11.74%
Total Net Assets	<u>\$ 16,107,777.17</u>	<u>\$ 15,506,440.51</u>	<u>\$ 601,336.66</u>	

### **Revenues**

The College's revenues are classified as operating and nonoperating revenues. Operating revenues includes student tuition and fees, federal, State and local grants and contracts, and the revenue received from sales and services, principally comprised of the revenue received from the bookstore, vending, and the rental of the food service operation. Student tuition and fees, net had an increase of \$265,333.62 due to the increase in tuition rates of \$8.00/credit hour and an increase in enrollment growth.

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

**Operating Revenues**

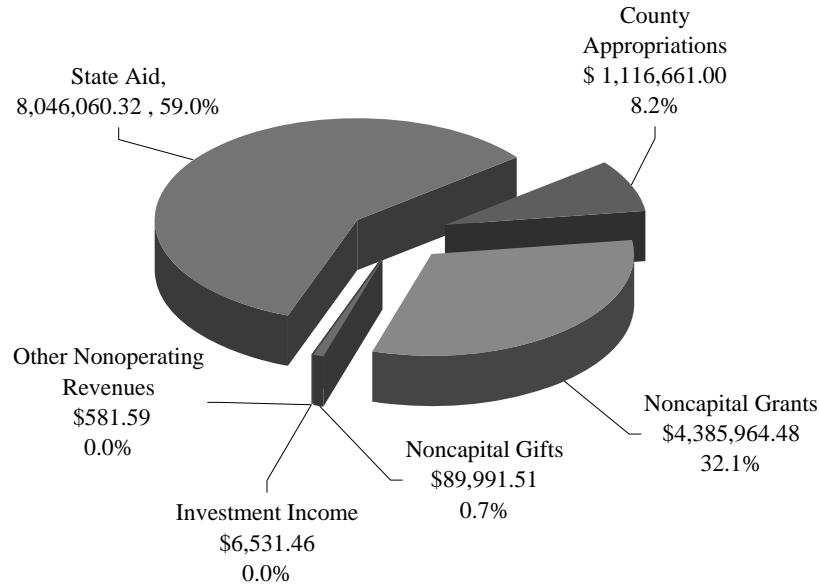


<b>Operating Revenues</b>	<b>6/30/2010</b>	<b>6/30/2009</b>	<b>Variance</b>	<b>Variance %</b>
Student Tuition and Fees, Net	\$ 856,215.97	\$ 590,882.35	\$ 265,333.62	44.90%
Federal Grants and Contracts	36,548.89	31,196.17	5,352.72	17.16%
State and Local Grants and Contracts	121,163.19	105,625.16	15,538.03	14.71%
Sales and Services, Net	432,957.17	404,119.96	28,837.21	7.14%
Other Operating Revenues	3,217.00	2,334.95	882.05	37.78%
<b>Total Operating Revenues</b>	<b>\$ 1,450,102.22</b>	<b>\$ 1,134,158.59</b>	<b>\$ 315,943.63</b>	<b>27.86%</b>

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. The large increase in noncapital grants is the result of the College receiving \$825,628 more in Pell Grant money for the 2009-2010 fiscal year. Noncapital gifts include contributions from the Sampson Community College Foundation, Inc. and private gifts received for the Ammonia Refrigeration program. Investment income had a decrease since the College received less interest from the bank for investments.

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

**Nonoperating Revenues**



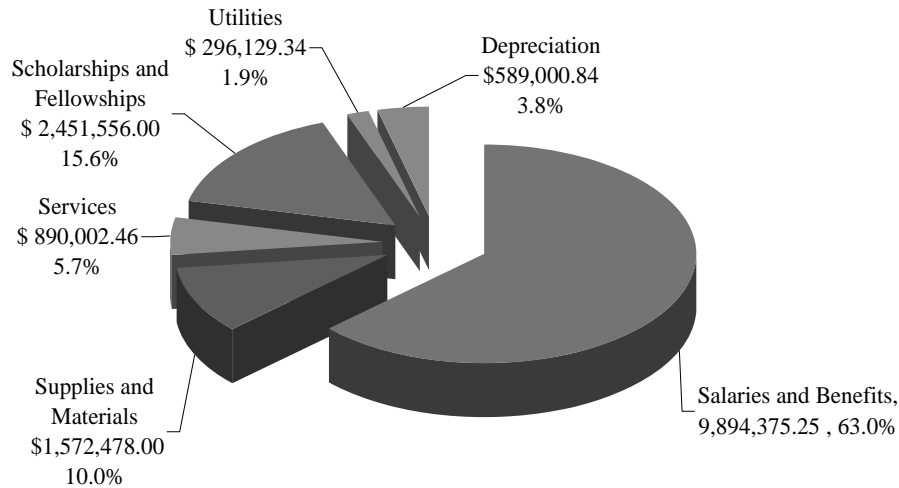
<b>Nonoperating Revenues</b>	<b>6/30/2010</b>	<b>6/30/2009</b>	<b>Variance</b>	<b>Variance %</b>
State Aid	\$ 8,046,060.32	\$ 8,421,993.53	\$ (375,933.21)	-4.46%
County Appropriations	1,116,661.00	1,084,137.00	32,524.00	3.00%
Noncapital Grants	4,385,964.48	3,489,025.63	896,938.85	25.71%
Noncapital Gifts	89,991.51	82,768.62	7,222.89	8.73%
Investment Income	6,531.46	11,360.56	(4,829.10)	-42.51%
Other Nonoperating Revenues	581.59	139.15	442.44	317.96%
<b>Total Nonoperating Revenues</b>	<b>\$ 13,645,790.36</b>	<b>\$ 13,089,424.49</b>	<b>\$ 556,365.87</b>	<b>4.25%</b>

**Operating Expenses**

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits. The majority of the variance in supplies and materials was due to an increase of \$124,794.02 in noncapitalized equipment purchases, an increase of \$55,085.55 in bookstore purchases for resale, and a \$51,589.60 software purchase by the Adult Basic Education program. The majority of the variance in scholarships and fellowships was due to disbursing \$825,063 more in Pell grant awards to students.

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

**Operating Expenses**



<b>Operating Expenses</b>	<b>6/30/2010</b>	<b>6/30/2009</b>	<b>Variance</b>	<b>Variance %</b>
Salaries and Benefits	\$ 9,894,375.25	\$ 9,946,483.21	\$ (52,107.96)	-0.52%
Supplies and Materials	1,572,478.00	1,277,304.51	295,173.49	23.11%
Services	890,002.46	1,048,608.79	(158,606.33)	-15.13%
Scholarships and Fellowships	2,451,556.00	1,894,889.85	556,666.15	29.38%
Utilities	296,129.34	272,092.72	24,036.62	8.83%
Depreciation	589,000.84	512,498.59	76,502.25	14.93%
<b>Total Expenses</b>	<b>\$ 15,693,541.89</b>	<b>\$ 14,951,877.67</b>	<b>\$ 741,664.22</b>	<b>4.96%</b>

**Nonoperating Expenses**

Nonoperating expenses are comprised of \$18,563.43 from 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.

<b>Capital Contributions</b>	<b>6/30/2010</b>	<b>6/30/2009</b>	<b>Variance</b>	<b>Variance %</b>
State Capital Aid	\$ 1,160,043.64	\$ 465,475.65	\$ 694,567.99	149.22%
County Capital Aid	13,048.00	82,790.84	(69,742.84)	-84.24%
Capital Grants	44,457.76	40,643.00	3,814.76	9.39%
Capital Gifts		39,617.00	(39,617.00)	-100.00%
<b>Total Capital Contributions</b>	<b>\$ 1,217,549.40</b>	<b>\$ 628,526.49</b>	<b>\$ 589,022.91</b>	<b>93.71%</b>

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

---

The College received \$694,567.99 more for state capital certification during the 2009-2010 fiscal year due mainly to an FTE increase making budget available to transfer \$374,527 from administrative and curriculum funds to equipment and to the receipt of \$260,500 of HB 275 funds carried over from the previous year. This influx of capital aid was used for the Ammonia Refrigeration project. The County decreased the College's capital outlay appropriation by \$69,742.84 from 2008/2009 to 2009/2010. Capital gifts decreased due to the College receiving a one time gift of a tractor trailer and a swine training facility building in the fiscal year ending 2009.

### **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. State funding may significantly decline in FY 2010-2011. Funding from the American Recovery and Reinvestment Act (ARRA) is expected to end in FY 2010-2011. For FY 2009-2010, ARRA funds provided \$1.6 billion to North Carolina. In addition, the State budget included \$1.1 billion in temporary sales taxes which are slated to expire at the end of the fiscal year. Proposed budget reductions of 5%, 10%, and even 15% are contemplated for state agencies in FY 2011-2012. Significant reductions in state funding could result in reductions in staff and faculty levels to offset budget losses.
2. In FY 2009-2010, the Sampson Early College High School admitted the fifth class bringing the campus enrollment to approximately 250 students. At this time, further increases in this program are not anticipated. While a loss of state funding for this program is not anticipated, legislative actions to balance the state budget could significantly affect staff and enrollment levels in subsequent classes.
3. Curriculum enrollment levels have risen significantly over the last two years but appear to have peaked. Due to the State's change in accounting for classes offered to prison inmates, the College will no longer earn regular budgeted FTE's for these students. The College is not expected to earn additional state budget allocations through enrollment growth.
4. The county's current level of capital indebtedness, the protracted lack of growth in the local tax base, and the relative high local property tax rate assessment continue to preclude any but the most modest increases in county funding. Increases in the costs of personnel and plant operations may have to be addressed through staff reduction. Local operational and capital outlay funds provided by the Sampson County Board of Commissioners may remain at the level of appropriations provided in FY 2009-2010.
5. Preplanning for two significant capital projects (Child Development Center and Nursing/Allied Health Building) has been completed. Funding for these projects is not expected to occur until anticipated state and local budget shortfalls have been overcome.

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

---

6. Previous discussions concerning the financing of \$5 million in capital funds through the USDA loan program have been abandoned and are not expected to be revisited. The College continues discussion with representatives of the Sampson County Board of Commissioners and the Clinton Pentecostal Church concerning the possible acquisition of the church campus. These discussions are ongoing without an established timetable.

### **Economic Forecast**

Economists' earlier prediction of recovery in late 2009 or 2010 have been revised to suggest a slower rate of economic growth with unemployment remaining stubbornly high. Statewide unemployment rates remained above 9% for most of the fiscal year. Economic growth is expected to be modest (3% annually) with unemployment levels predicted to remain stubbornly high.

The Fiscal Research Division analysis of the State's upcoming budget identifies \$1.3 billion in temporary taxes, \$1.6 billion in federal stimulus dollars, and \$0.3 billion in non-recurring budget reductions to create a static budget deficit going into the next biennium of \$3.2 billion. Governor Perdue has responded to these predictions by issuing a request for state agencies to prepare FY 2011-2012 budgets with 5%, 10%, and 15% reductions.

Local county revenues are not expected to increase. While the overwhelming downward pressure experienced by the regional pork industry has begun to ease, many of the area pork and poultry producers sustained deep losses. Market prices began to recover in the first and second quarters of 2010 as industry-wide reductions in production allowed integrators to enjoy workable marginal pricing. Some farm incomes continue to face decline due to production decline due to drought. Previous estimates of annual county tax base growth of 2% to 3% are not expected. Balancing debt service requirements with the demands for agency services will remain a significant challenge for county officials.

**Sampson Community College**  
**Statement of Net Assets**  
**June 30, 2010**

**Exhibit A-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 710,249.45
Restricted Cash and Cash Equivalents	413,642.26
Short-Term Investments	136,842.65
Restricted Short-Term Investments	19,395.14
Receivables, Net (Note 4)	107,584.53
Due from State of North Carolina Component Units	61,016.70
Inventories	139,628.95
Notes Receivable, Net (Note 4)	2,929.89
	<u>1,591,289.57</u>
Total Current Assets	<u>1,591,289.57</u>

Noncurrent Assets:

Restricted Due from Primary Government	48,850.78
Restricted Investments	80,629.85
Capital Assets - Nondepreciable (Note 5)	1,039,815.87
Capital Assets - Depreciable, Net (Note 5)	14,598,814.45
	<u>15,768,110.95</u>
Total Noncurrent Assets	<u>15,768,110.95</u>
Total Assets	<u>17,359,400.52</u>

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	165,762.24
Due to Primary Government	2,485.58
Unearned Revenue	22,729.69
Funds Held for Others	21,543.39
Long-Term Liabilities - Current Portion (Note 7)	123,395.83
	<u>335,916.73</u>
Total Current Liabilities	<u>335,916.73</u>

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	915,706.62
	<u>915,706.62</u>
Total Noncurrent Liabilities	<u>915,706.62</u>
Total Liabilities	<u>1,251,623.35</u>

**NET ASSETS**

Invested in Capital Assets	15,638,630.32
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	80,629.85
Expendable:	
Scholarships and Fellowships	57,931.76
Loans	7,427.30
Capital Projects	90,786.11
Restricted for Specific Programs	217,660.78
Other	137,688.92
Unrestricted	<u>(122,977.87)</u>
Total Net Assets	<u>\$ 16,107,777.17</u>

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, 2010***

***Exhibit A-2***

**REVENUES**

Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	\$ 856,215.97
Federal Grants and Contracts	36,548.89
State and Local Grants and Contracts	121,163.19
Sales and Services, Net (Note 8)	432,957.17
Other Operating Revenues	3,217.00
	<hr/>
Total Operating Revenues	1,450,102.22
	<hr/>

**EXPENSES**

Operating Expenses:	
Salaries and Benefits	9,894,375.25
Supplies and Materials	1,572,478.00
Services	890,002.46
Scholarships and Fellowships	2,451,556.00
Utilities	296,129.34
Depreciation	589,000.84
	<hr/>
Total Operating Expenses	15,693,541.89
	<hr/>
Operating Loss	(14,243,439.67)
	<hr/>

**NONOPERATING REVENUES (EXPENSES)**

State Aid	8,046,060.32
County Appropriations	1,116,661.00
Noncapital Grants - Federal Student Financial Aid	3,249,698.35
Noncapital Grants	1,136,266.13
Noncapital Gifts	89,991.51
Investment Income	6,531.46
Interest on Debt	(18,563.43)
Other Nonoperating Revenues	581.59
	<hr/>
Net Nonoperating Revenues	13,627,226.93
	<hr/>
Loss Before Other Revenues	(616,212.74)
	<hr/>
State Capital Aid	1,160,043.64
County Capital Aid	13,048.00
Capital Grants	44,457.76
	<hr/>
Increase in Net Assets	601,336.66

**NET ASSETS**

Net Assets, July 1, 2009	<hr/> 15,506,440.51
Net Assets, June 30, 2010	<hr/> <hr/> \$ 16,107,777.17

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, 2010***

***Exhibit A-3***

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 1,507,108.79
Payments to Employees and Fringe Benefits	(9,918,633.27)
Payments to Vendors and Suppliers	(2,772,795.51)
Payments for Scholarships and Fellowships	(2,451,556.00)
Collection of Loans to Students	945.33
Other Receipts	9,643.98
	<hr/>
Net Cash Used by Operating Activities	(13,625,286.68)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	8,046,060.32
County Appropriations	1,116,661.00
Noncapital Grants - Federal Student Financial Aid	3,249,698.35
Noncapital Grants Received	1,372,974.58
Noncapital Gifts and Endowments Received	89,991.51
Principal Paid on Noncapital Debt	(59,991.24)
Interest Paid on Noncapital Debt	(18,563.43)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	13,796,831.09

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

State Capital Aid Received	1,998,308.60
County Capital Aid	13,048.00
Capital Grants Received	44,457.76
Acquisition and Construction of Capital Assets	(2,004,593.93)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	51,220.43

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	5,784.05
	<hr/>
Net Cash Provided by Investing Activities	5,784.05

Net Increase in Cash and Cash Equivalents	228,548.89
Cash and Cash Equivalents, July 1, 2009	895,342.82
	<hr/>
Cash and Cash Equivalents, June 30, 2010	\$ 1,123,891.71

***Sampson Community College***  
***Statement of Cash Flows***  
***For the Fiscal Year Ended June 30, 2010***

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

**RECONCILIATION OF OPERATING LOSS  
TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (14,243,439.67)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	589,000.84
Provision for Uncollectible Loans and Write-Offs	(581.59)
Miscellaneous Nonoperating Income	581.59
Changes in Assets and Liabilities:	
Receivables, Net	53,250.15
Inventories	1,476.95
Notes Receivable, Net	945.33
Accounts Payable and Accrued Liabilities	18,048.11
Due to Primary Government	118.53
Unearned Revenue	3,756.42
Funds Held for Others	9,062.39
Compensated Absences	<u>(57,505.73)</u>
Net Cash Used by Operating Activities	<u>\$ (13,625,286.68)</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 710,249.45
Restricted Cash and Cash Equivalents	<u>413,642.26</u>
Total Cash and Cash Equivalents - June 30, 2010	<u>\$ 1,123,891.71</u>

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

Increase in Receivables Related to Nonoperating Income	\$ 2,274.85
--	-------------

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, 2010***

***Exhibit B-1***

**ASSETS**

Cash and Cash Equivalents	\$	227,188
Certificates of Deposits		624,461
Investment Securities		293,519
Contributions Receivable		10,150
Student Loans		9,731
Accrued Interest Receivable		7,854
		<hr/>
Total Assets		1,172,903
		<hr/>

**LIABILITIES**

Accrued Payroll Benefits		5,575
		<hr/>
Total Liabilities		5,575
		<hr/>

**NET ASSETS**

Unrestricted		147,381
Temporarily Restricted		334,348
Permanently Restricted		685,599
		<hr/>
Total Net Assets	\$	1,167,328
		<hr/> <hr/>

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, 2010***

***Exhibit B-2***

**CHANGES IN UNRESTRICTED NET ASSETS**

Revenues and Gains:	
Contributions	\$ 50,259
Special Events	8,683
Interest and Dividends	38
Investment Gains	<u>45,717</u>
Total Unrestricted Revenues and Gains	<u>104,697</u>
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	<u>72,272</u>
Total Unrestricted Revenues, Gains, and Other Support	<u>176,969</u>
Expenses and Losses:	
Investment Loss	7,026
Program Expenditures	91,894
Fund Raising	22,465
Administrative	<u>51,189</u>
Total Expenses	<u>172,574</u>
Increase in Unrestricted Net Assets	<u>4,395</u>

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Revenues, Gains, and Other Support	
Contributions	69,148
Special Events	6,400
Interest and Dividends	17,807
Investment Gains	<u>6,780</u>
Total Temporarily Restricted Revenues and Gains	<u>100,135</u>
Net Assets Released from Restrictions:	
Satisfaction of Program Restrictions	(72,272)
Net Assets Reclassified Due to Donor Imposed Restrictions	<u>(80,000)</u>
Total Temporarily Restricted Revenues, Gains and Other Support	<u>(52,137)</u>
Expenses and Losses:	
Bad Pledges	5,000
Investment Loss	<u>1,433</u>
Total Expenses	<u>6,433</u>
Decrease in Temporarily Restricted Net Assets	<u>(58,570)</u>

***Sampson Community College Foundation, Inc.***  
***Statement of Activities***  
***For the Fiscal Year Ended June 30, 2010***

***Exhibit B-2***  
***Page 2***

**CHANGES IN PERMANENTLY RESTRICTED NET ASSETS**

Contributions	\$ 15,250
Interest and Dividends	2,554
Investment Gain	239
	<hr/>
Total Permanently Restricted Revenues and Gains	18,043
	<hr/>
Net Assets Reclassified Due to Donor-Imposed Restrictions	80,000
	<hr/>
Total Restricted Revenues, Gains, and Other Support	98,043
	<hr/>
Losses:	
Investment Loss	27
	<hr/>
Increase in Permanently Restricted Net Assets	98,016
	<hr/>
Increase in Net Assets	43,841
Net Assets at Beginning of Year	1,123,487
	<hr/>
Net Assets at End of Year	<u><u>\$ 1,167,328</u></u>

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

[ This Page Left Blank Intentionally ]

**SAMPSON COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

**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 College's 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 Sampson Community College Foundation, Inc. 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 two 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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

During the year ended June 30, 2010, the Foundation distributed \$104,912.62 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 Government 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, 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, regardless of the timing of the cash flows.

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange includes State appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

eligibility requirements imposed by the provider have been met, if probable of collection.

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, 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, 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, are valued at cost using the first-in, first-out method. Merchandise for resale is valued at the lower of cost or market using the 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 value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year, except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater. 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, 2 to 25 years for equipment, and 2 to 30 years for computer software.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

**J. Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include notes payable and compensated absences that will not be paid with 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. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out (LIFO) method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30 equals the leave carried forward at the previous 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.

There is no liability for unpaid accumulated sick leave because the College has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

**L. Net 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

**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 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

- 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

**The College** - 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 and deposits in private financial institutions with a carrying value of \$1,123,336.71. In addition, the amount shown as investments includes \$236,867.64 of certificates of deposit with private financial institutions. At June 30, 2010, the College's total deposits in private financial institutions, including certificates of deposit, had a carrying value of \$1,360,759.35 and a bank balance of \$1,367,971.

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, 2010, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

Generally, funds belonging to the College may be invested in 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. As noted above, at June 30, 2010, the College's investments consisted of \$236,867.64 in certificates of deposit.

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 and corporate bonds/notes with specified ratings; general obligations of other states; and general obligations of North Carolina local governments.

### 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, 2010, is as follows:

Cash on Hand	\$	555.00
Carrying Amount of Deposits with Private Financial Institutions		1,123,336.71
Investments in Certificates of Deposit		<u>236,867.64</u>
Total Deposits and Investments	\$	<u><u>1,360,759.35</u></u>
Current:		
Cash and Cash Equivalents	\$	710,249.45
Restricted Cash and Cash Equivalents		413,642.26
Short-Term Investments		136,842.65
Restricted Short-Term Investments		19,395.14
Noncurrent:		
Endowment Investments		<u>80,629.85</u>
Total	\$	<u><u>1,360,759.35</u></u>

**Component Unit** - Investments of the College's discretely presented component unit, Sampson Community College Foundation, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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:

	Value at June 30, 2010
<b>Investment Type</b>	
Certificates of Deposit	\$ 624,461
Investment Securities	293,519
Total	<u>\$ 917,980</u>

### 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. Under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA), authorized by the North Carolina General Assembly on March 19, 2010, the Board may also appropriate expenditures from eligible nonexpendable balances if deemed prudent and necessary to meet program outcomes and for which such spending is not specifically prohibited by the donor agreements. During the year, the Board did not appropriate expenditures from eligible nonexpendable 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 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, 2010, an endowment asset of \$1,171.53 was available to be spent, all of which was restricted to specific purposes.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2010, were as follows:

	Gross Receivables	Less Allowance for Uncollectibles	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 32,266.50	\$ 2,023.81	\$ 30,242.69
Accounts	59,466.16		59,466.16
Intergovernmental	5,418.47		5,418.47
Investment Earnings	338.78		338.78
Other	12,118.43		12,118.43
<b>Total Current Receivables</b>	<b>\$ 109,608.34</b>	<b>\$ 2,023.81</b>	<b>\$ 107,584.53</b>
<b>Notes Receivable:</b>			
<b>Notes Receivable - Current:</b>			
State Loan Programs	\$ 342.18	\$ 342.18	\$ 0.00
Institutional Student Loan Programs	9,411.67	6,481.78	2,929.89
<b>Total Notes Receivable - Current</b>	<b>\$ 9,753.85</b>	<b>\$ 6,823.96</b>	<b>\$ 2,929.89</b>

### NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2010, is presented as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital Assets, Nondepreciable:				
Land	\$ 80,950.25	\$ 0.00	\$ 0.00	\$ 80,950.25
Construction in Progress	102,884.26	855,981.36		958,865.62
<b>Total Capital Assets, Nondepreciable</b>	<b>183,834.51</b>	<b>855,981.36</b>		<b>1,039,815.87</b>
Capital Assets, Depreciable:				
Buildings	16,381,584.84			16,381,584.84
Machinery and Equipment	2,829,299.58	1,148,612.57	193,050.85	3,784,861.30
General Infrastructure	910,741.71			910,741.71
<b>Total Capital Assets, Depreciable</b>	<b>20,121,626.13</b>	<b>1,148,612.57</b>	<b>193,050.85</b>	<b>21,077,187.85</b>
Less Accumulated Depreciation for:				
Buildings	4,601,119.72	332,513.71		4,933,633.43
Machinery and Equipment	1,235,441.95	238,488.21	193,050.85	1,280,879.31
General Infrastructure	245,861.74	17,998.92		263,860.66
<b>Total Accumulated Depreciation</b>	<b>6,082,423.41</b>	<b>589,000.84</b>	<b>193,050.85</b>	<b>6,478,373.40</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>14,039,202.72</b>	<b>559,611.73</b>		<b>14,598,814.45</b>
<b>Capital Assets, Net</b>	<b>\$ 14,223,037.23</b>	<b>\$ 1,415,593.09</b>	<b>\$ 0.00</b>	<b>\$ 15,638,630.32</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2010, were as follows:

	Amount
Accounts Payable	\$ 27,565.80
Accrued Payroll	138,196.44
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 165,762.24</b>

### NOTE 7 - LONG-TERM LIABILITIES

**A. Changes in Long-Term Liabilities** - A summary of changes in the long-term liabilities for the year ended June 30, 2010, is presented as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Notes Payable	\$ 439,935.18	\$ 0.00	\$ 59,991.24	\$ 379,943.94	\$ 59,991.24
Compensated Absences	716,664.24	368,007.70	425,513.43	659,158.51	63,404.59
<b>Total Long-Term Liabilities</b>	<b>\$ 1,156,599.42</b>	<b>\$ 368,007.70</b>	<b>\$ 485,504.67</b>	<b>\$ 1,039,102.45</b>	<b>\$ 123,395.83</b>

**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 June 30, 2010	Principal Outstanding June 30, 2010
Guaranteed Energy Savings Contract	BB&T	4.18%	10/13/2016	\$ 689,898.68	\$ 309,954.74	\$ 379,943.94

The annual requirements to pay principal and interest on notes payable at June 30, 2010, are as follows:

Fiscal Year	Annual Requirements	
	Notes Payable	
	Principal	Interest
2011	\$ 59,991.24	\$ 14,732.32
2012	59,991.24	12,224.69
2013	59,991.24	9,717.06
2014	59,991.24	7,209.42
2015	59,991.24	4,701.79
2016-2017	79,987.74	2,368.87
<b>Total Requirements</b>	<b>\$ 379,943.94</b>	<b>\$ 50,954.15</b>



## 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	Net Revenues
<b>Operating Revenues:</b>			
<b>Student Tuition and Fees</b>	\$ 1,734,550.46	\$ 878,334.49	\$ 856,215.97
<b>Sales and Services</b>			
Bookstore	\$ 815,648.83	\$ 476,210.36	\$ 339,438.47
Other	93,518.70		93,518.70
<b>Total Sales and Services</b>	\$ 909,167.53	\$ 476,210.36	\$ 432,957.17

### NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 5,867,308.28	\$ 563,796.96	\$ 346,832.65	\$ 15,441.73	\$ 0.00	\$ 0.00	\$ 6,793,379.62
Academic Support	949,387.44	58,992.29	12,033.29				1,020,413.02
Student Services	805,318.36	30,650.92	95,630.66	55,191.35			986,791.29
Institutional Support	1,776,328.82	90,136.43	226,069.35				2,092,534.60
Operations and Maintenance of Plant	395,897.81	159,062.72	179,797.40		296,129.34		1,030,887.27
Student Financial Aid			6,377.38	2,373,172.74			2,379,550.12
Auxiliary Enterprises	100,134.54	669,838.68	23,261.73	7,750.18			800,985.13
Depreciation						589,000.84	589,000.84
Total Operating Expenses	\$ 9,894,375.25	\$ 1,572,478.00	\$ 890,002.46	\$ 2,451,556.00	\$ 296,129.34	\$ 589,000.84	\$ 15,693,541.89

### 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 is a cost-sharing multiple-employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units and local boards of education. The plan is administered by 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

actuarial valuations. For the year ended June 30, 2010, these rates were set at 3.57% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$8,133,466.54, of which \$7,188,155.06 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$256,617.14 and \$431,289.30, respectively.

Required employer contribution rates for the years ended June 30, 2009, and 2008, were 3.36% and 3.05%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2010, 2009, and 2008, which were \$256,617.14, \$247,451.08, and \$219,572.27, 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.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "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. The voluntary contributions by employees amounted to \$32,850.30 for the year ended June 30, 2010.

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 \$103,675.98 for the year ended June 30, 2010.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### 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 *North Carolina General Statute 135-7* and Chapter 135, Article 3A, 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.

For the current fiscal year the College contributed 4.5% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2009, and 2008, were 4.1% and 4.1%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2010, 2009, and 2008, which were \$323,466.98, \$301,949.23, and \$295,162.72, 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

<http://www.osc.nc.gov/> and clicking on “Proceed directly to OSC’s index page,” then “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 by the General Assembly. For the fiscal year ended June 30, 2010, 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, 2009, and 2008, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2010, 2009, and 2008, which were \$37,378.41, \$38,296.00, and \$37,435.27, 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 retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers’ and employees’ liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The community college pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. The College is protected for losses from 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.

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a pension and other employee benefit trust fund of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from State funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the Board entirely from county or institutional funds.

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

## **NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**

---

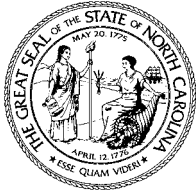
Additional details on the State-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

### **NOTE 13 - COMMITMENTS**

The College has established an encumbrance system to tracks its outstanding commitments on construction projects. Outstanding commitments on construction contracts were \$59,869.24 at June 30, 2010.

### **NOTE 14 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING**

For the fiscal year ended June 30, 2010, the College implemented the Government Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets. This Statement requires reporting certain intangible assets as capital assets.



Beth A. Wood, CPA  
State Auditor

STATE OF NORTH CAROLINA  
Office of the 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  
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, 2010, which collectively comprise the College's basic financial statements and have issued our report thereon dated June 28, 2011. Our report was modified to include a reference to other auditors.

As discussed in Note 14 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended June 30, 2010.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, others within the entity, the State Board of Community Colleges, the Governor, the General Assembly, and the State Controller, and is not intended to be and should not be used by anyone other than these specified parties.



Beth A. Wood, CPA  
State Auditor

June 28, 2011



## **ORDERING INFORMATION**

---

Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://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:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647