



STATE OF NORTH CAROLINA

SAMPSON COMMUNITY COLLEGE

CLINTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2011

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

A Component Unit of the State of North Carolina

SAMPSON COMMUNITY COLLEGE

CLINTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2011

STATE BOARD OF COMMUNITY COLLEGES

THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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Beth A. Wood, CPA
State Auditor

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Office of the State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly Eaves 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, 2011, 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

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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, 2011, 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 discretely presented component unit, are based on the report of the other auditors.

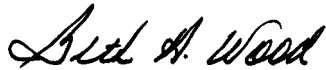
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 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, 2011, 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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2012 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

May 31, 2012

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

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 the Governmental Accounting Standards Board (GASB) to present the 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*. The Statement of Net Assets presents the assets, liabilities, and net assets of the College as of the end of the fiscal year. The statement is a point-in-time statement presenting a fiscal snapshot of the College. The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. The College's dependency on State and County aid as well as certain grants will result in operating deficits since the GASB requires these revenues be classified as nonoperating revenues. The Statement of Cash Flows provides information relative to the College's sources and uses of cash for operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The statement provides a reconciliation of beginning cash balances to ending cash balances and is representative of the activity reported on the Statement of Revenues, Expenses, and Changes in Net Assets as adjusted for changes in the beginning and ending balance of noncash accounts on the Statement of Net Assets.

The user is encouraged to review the notes to the financial statements to enhance their understanding of the College's 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>6/30/2011</u>	<u>6/30/2010 (as restated)</u>	<u>Variance</u>	<u>Variance %</u>
Cash and Cash Equivalents	\$ 567,084.31	\$ 655,142.37	\$ (88,058.06)	-13.44%
Restricted Cash and Cash Equivalents	475,090.01	468,749.34	6,340.67	1.35%
Short-Term Investments	137,294.81	136,842.65	452.16	0.33%
Restricted Short-Term Investments	19,485.82	19,395.14	90.68	0.47%
Receivables, Net	205,726.23	107,584.53	98,141.70	91.22%
Due from State Component Units	41,016.70	61,016.70	(20,000.00)	-32.78%
Inventories	225,877.50	139,628.95	86,248.55	61.77%
Notes Receivable, Net	2,929.89	2,929.89	0.00	0.00%
Total Current Assets	<u>\$ 1,674,505.27</u>	<u>\$ 1,591,289.57</u>	<u>\$ 83,215.70</u>	5.23%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The College's cash decreased and receivables increased due to an increase of \$83,120.77 in outstanding Bookstore credit memos owed to the College as of June 30, 2011. The College received \$20,000 from Golden Leaf for the Truck Driver Training Program which decreased the College's due from state component units. Inventories increased due primarily to the Bookstore inventory increasing by \$82,606.97, due to the Bookstore ordering textbooks that will be used in fiscal year 2012 during fiscal year 2011 as well as an increase in the number of course offerings to students.

Noncurrent assets include investments, land, construction in progress, buildings, equipment, and general infrastructure.

<u>Noncurrent Assets</u>	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Variance</u>	<u>Variance %</u>
Restricted Cash and Cash Equivalents	\$ 27,785.52	\$ 0.00	\$ 27,785.52	100.00%
Restricted Investments	80,675.73	80,629.85	45.88	0.06%
Restricted Due from Primary Government	0.00	48,850.78	(48,850.78)	-100.00%
Capital Assets, Net	<u>15,697,987.82</u>	<u>15,638,630.32</u>	<u>59,357.50</u>	0.38%
Total Noncurrent Assets	<u>\$ 15,806,449.07</u>	<u>\$ 15,768,110.95</u>	<u>\$ 38,338.12</u>	0.24%

Restricted due from primary government decreased by \$48,850.78 since Construction Project 1654 (Refrigeration Training) was closed out during the 2010-2011 fiscal year. All construction money due from the North Carolina Community College System Office (NCCCSO) for construction project 1654 has been received by the College. Capital assets increased \$59,357.50 with the completion of the Ammonia Refrigeration Building and increases in machinery and equipment and general infrastructure. The Ammonia Building, \$929,433.86, was reclassified from construction in progress to buildings. The increases in machinery and equipment and general infrastructure were offset by increases in depreciation and the disposal of some machinery and equipment.

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 50-75 year period, buildings are depreciated over an 18-50 year period, and equipment is depreciated over 5-25 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. Accrued-employee-annual-leave is 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 \$319,952.70 note payable from BB&T for a Guaranteed Energy Savings

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Contract. Long-term liabilities decreased, in part, due to the College paying down \$59,991.24 of the Guaranteed Energy Savings Contract. The current liabilities increase is primarily due to a \$35,046.60 increase in accrued salaries payable related to an increase in 10-month employees choosing to be paid over 12 months and a \$39,454.52 increase in the current portion of accrued leave payable for employees.

<u>Liabilities</u>	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Variance</u>	<u>Variance %</u>
Current	\$ 429,917.26	\$ 335,916.73	\$ 94,000.53	27.98%
Long-Term	<u>783,528.14</u>	<u>915,706.62</u>	<u>(132,178.48)</u>	-14.43%
Total Liabilities	<u>\$ 1,213,445.40</u>	<u>\$ 1,251,623.35</u>	<u>\$ (38,177.95)</u>	-3.05%

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 \$159,731.77. Restricted net assets had a decrease due to the College receiving and expending \$48,850.78 from the NCCCSO for construction project 1654. The deficit in unrestricted net assets decreased by \$164,874.06. The majority of this decrease was due to the reduction of expenses and increase in fund balance for County funds, which totaled \$88,202.81. Also, the Bookstore had a total increase of \$46,289.96 in unrestricted net assets resulting from an increase in revenues and an increase in fund balance. The increased activity in the bookstore was due to an increase in course offerings to students as well as an increase in the percentage of the student population who received Pell grants. Pell grant recipients are more likely to utilize the bookstore to purchase textbooks and supplies.

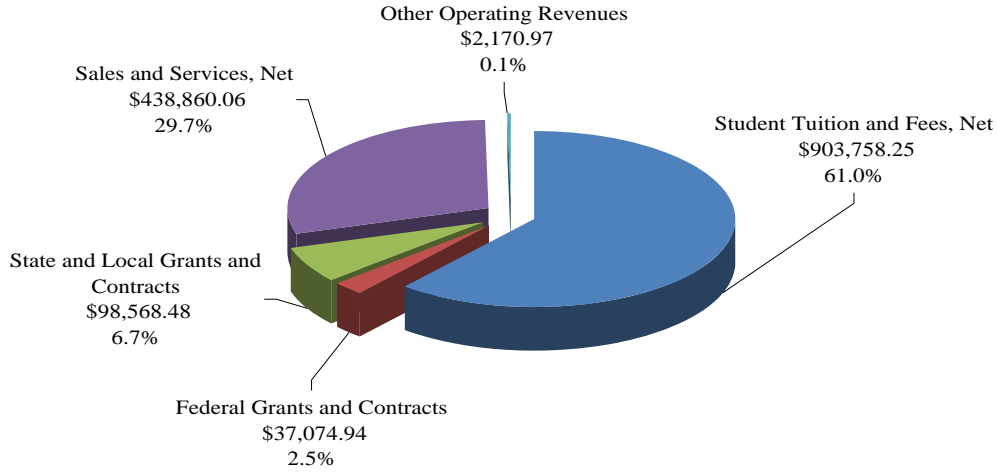
<u>Net Assets</u>	<u>6/30/2011</u>	<u>6/30/2010</u> <u>(as restated)</u>	<u>Variance</u>	<u>Variance %</u>
Invested in Capital Assets	\$ 15,697,987.82	\$ 15,638,630.32	\$ 59,357.50	0.38%
Restricted	561,297.79	625,797.58	(64,499.79)	-10.31%
Unrestricted	<u>8,223.33</u>	<u>(156,650.73)</u>	<u>164,874.06</u>	105.25%
Total Net Assets	<u>\$ 16,267,508.94</u>	<u>\$ 16,107,777.17</u>	<u>\$ 159,731.77</u>	0.99%

Revenues

The College's revenues are classified as operating and nonoperating. Operating revenues include student tuition and fees, federal, State and local grants and contracts, and the revenue received from sales and services, principally comprised of the revenue received from the bookstore, vending, and the rental of the food service operation. Student tuition and fees, net had an increase of \$47,542.28 due to the increase in tuition rates of \$6.50/credit hour. State and local grants and contracts decreased due to the College receiving a one time grant from Southern Regional Area Health Education Center for the fiscal year ending 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Revenues

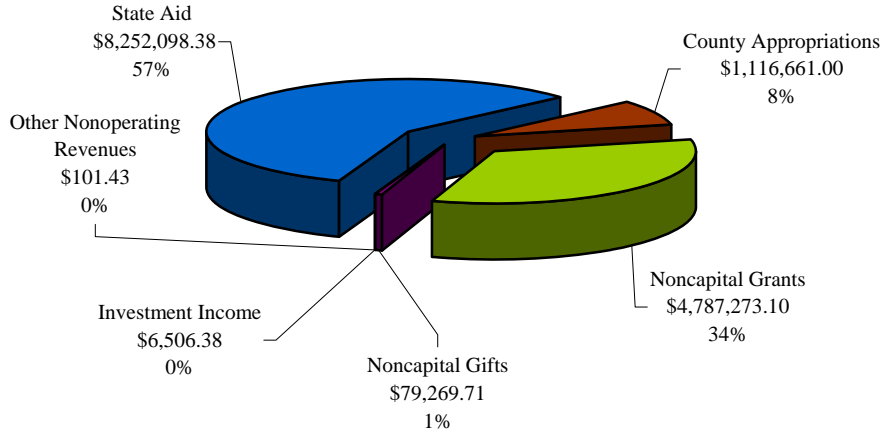


Operating Revenues	6/30/2011	6/30/2010	Variance	Variance %
Student Tuition and Fees, Net	\$ 903,758.25	\$ 856,215.97	\$ 47,542.28	5.55%
Federal Grants and Contracts	37,074.94	36,548.89	526.05	1.44%
State and Local Grants and Contracts	98,568.48	121,163.19	(22,594.71)	-18.65%
Sales and Services, Net	438,860.06	432,957.17	5,902.89	1.36%
Other Operating Revenues	2,170.97	3,217.00	(1,046.03)	-32.52%
Total Operating Revenues	\$ 1,480,432.70	\$ 1,450,102.22	\$ 30,330.48	2.09%

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 \$592,466.89 more in Pell Grant money for the 2010-2011 fiscal year. This was caused by a larger percentage of the student population being eligible for Pell grants as well as an increase in the maximum Pell award amount. Noncapital gifts include contributions from the Sampson Community College Foundation, Inc. and private gifts received for the Ammonia Refrigeration program.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Nonoperating Revenues



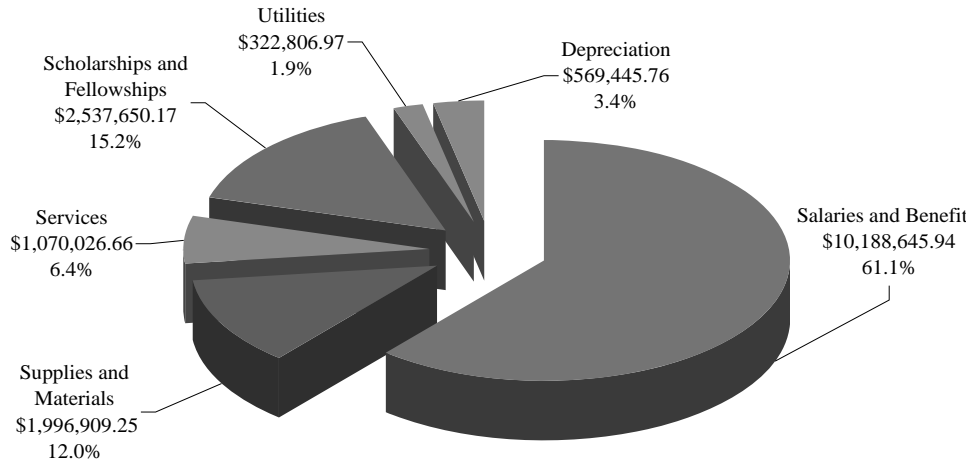
Nonoperating Revenues	6/30/2011	6/30/2010	Variance	Variance %
State Aid	\$ 8,252,098.38	\$ 8,046,060.32	\$ 206,038.06	2.56%
County Appropriations	1,116,661.00	1,116,661.00	0.00	0.00%
Noncapital Grants	4,787,273.10	4,385,964.48	401,308.62	9.15%
Noncapital Gifts	79,269.71	89,991.51	(10,721.80)	-11.91%
Investment Income	6,506.38	6,531.46	(25.08)	-0.38%
Other Nonoperating Revenues	101.43	581.59	(480.16)	-82.56%
Total Nonoperating Revenues	\$ 14,241,910.00	\$ 13,645,790.36	\$ 596,119.64	4.37%

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 supplies and materials was due to an increase of \$237,926.29 in noncapitalized equipment purchases to replace obsolete information technology equipment and an increase of \$70,365.57 in bookstore purchases for resale. The increase in services expense was related to the new Ammonia Refrigeration program, a new service contract related to distance learning and an increase in service contracts related to plant maintenance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating Expenses



<u>Operating Expenses</u>	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Variance</u>	<u>Variance %</u>
Salaries and Benefits	\$ 10,188,645.94	\$ 9,894,375.25	\$ 294,270.69	2.97%
Supplies and Materials	1,996,909.25	1,572,478.00	424,431.25	26.99%
Services	1,070,026.66	890,002.46	180,024.20	20.23%
Scholarships and Fellowships	2,537,650.17	2,451,556.00	86,094.17	3.51%
Utilities	322,806.97	296,129.34	26,677.63	9.01%
Depreciation	569,445.76	589,000.84	(19,555.08)	-3.32%
Total Expenses	\$ 16,685,484.75	\$ 15,693,541.89	\$ 991,942.86	6.32%

Nonoperating Expenses

Nonoperating expenses are comprised of \$13,408.85 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.

<u>Capital Contributions</u>	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Variance</u>	<u>Variance %</u>
State Capital Aid	\$ 1,114,430.67	\$ 1,160,043.64	\$ (45,612.97)	-3.93%
County Capital Aid	21,852.00	13,048.00	8,804.00	67.47%
Capital Grants	0.00	44,457.76	(44,457.76)	-100.00%
Total Capital Contributions	\$ 1,136,282.67	\$ 1,217,549.40	\$ (81,266.73)	-6.67%

The College received \$45,612.97 less for state capital certification during the 2010-2011 fiscal year. The County increased the College's capital outlay appropriation by \$8,804.00

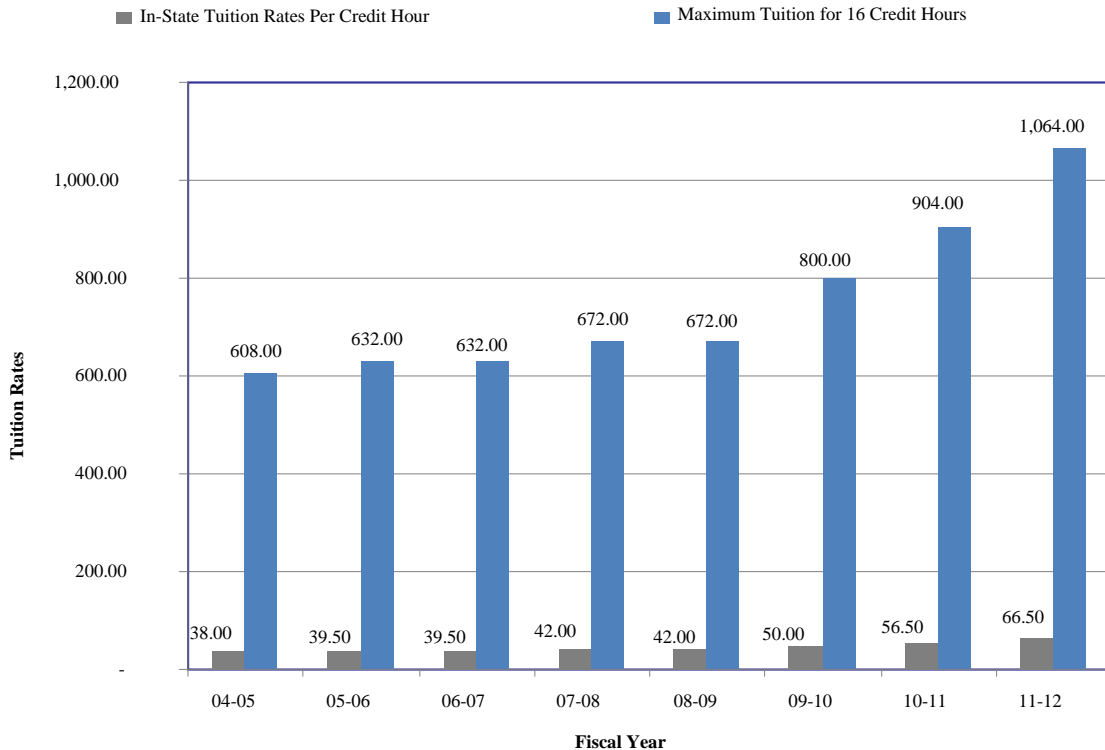
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

from 2009/2010 to 2010/2011. The College did not receive a federal capital grant this fiscal year which resulted in a decrease in capital grants.

Significant Effects on Financial Position

The following conditions are expected to have a significant effect on the financial position of the College.

1. As part of an effort to meet a \$2.6 billion budget shortfall, the General Assembly enacted an FY 2011-2012 state budget of \$19.7 billion reducing General Fund availability by 36% and enacting spending reductions of 64%. These reductions were reflected in management flexibility reductions to the College of \$743,576. The budget was further impacted with the requirement of operating with a 2% contingency reserve of approximately \$200,000. If the management flexibility reduction continues to increase, it could impact the College's budget.
2. The State tuition rates for In-State students were increased to \$56.50 per credit hour in 2010/2011 and were increased to \$66.50 per credit hour beginning in the Fall semester of the 2011-2012 fiscal year. Over the last eight years, tuition has increased 75 percent. This trend is expected to continue as the state assigns more and more costs directly to students. Federal discussions about reducing discretionary funds include the possibility of reduction in the amount of Pell grant awards to students.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

3. State current expense funding after management flexibility reduction for FY 2011/12 reflects a reduction of \$812,598 from FY 2010/11. Enrollment decline, though less than 1%, further restricts the institution's ability to respond to emerging program or service needs or to expand program offerings. Curriculum enrollment (headcount and Full-Time-Equivalents (FTE)) appears to have peaked in 2009-2010. Slight enrollment decline and changes in the State Board's funding formula for curriculum programs may affect the number of staff and faculty contracts that can be continued and represents a principal economic challenge to the College. The increase in the 2% limit on allowable transfers could help this situation.

State Budget Comparison

	<u>2010/11</u>	<u>2011/12</u>	<u>Difference</u>	<u>% Difference</u>
Total Budgeted FTE's	1,969.00	1,954.00	(15.00)	-0.76%
Total Formula Budget Allocation	\$ 11,271,870.00	\$ 11,119,615.00	\$ (152,255.00)	-1.35%
Total State Budget	12,271,208.00	11,833,222.00	(437,986.00)	-3.57%
Management Flexibility Reduction	368,964.00	743,576.00	374,612.00	101.53%
Total State Budget After Mgmt. Flexibility Reductions	<u>\$ 11,902,244.00</u>	<u>\$ 11,089,646.00</u>	<u>\$ (812,598.00)</u>	-6.83%

4. The College's reliance upon enrollment earned through the Sampson Early College High School (SECHS) has grown. FTE earned through this relationship has supplanted a significant portion of curriculum program enrollment. Currently the SECHS is fully enrolled at the intended school size of 250 students with no additional growth anticipated. While continued funding of the SECHS is anticipated, the reliance on this group of students in the College's curriculum enrollment must be acknowledged.
5. Legislative attempts to implement cost saving measures and reduce administrative costs (including the possible merger of colleges) continues to create uncertainty in the development of institutional budgets.

Economic Forecast

The September 2011 UNC Charlotte Economic Forecast indicates that the North Carolina economy is expected to grow by 1.8 percent during 2012. First quarter Gross State Product (GSP) is expected to increase by an annualized real rate of 1.3 percent. During the second quarter, GSP is expected to increase by an annualized real rate of 2.2 percent. In the third quarter, GSP growth is expected to record an annualized real growth rate of 2.7 percent. In the fourth quarter of 2012, GSP is expected to grow at an annualized real rate of 2.9 percent. This growth rate is expected to be accompanied by continued lag in job growth with net job gains of 26,600 statewide expected. Job growth in the eastern part of the State will be even more modest. Sampson County's unemployment rate was listed by the United States Bureau of Labor Statistics at 9.1% in August, 2011. This rate has increased from the pre-recession level of 2008 which was approximately 4.5%. North Carolina's unemployment rate is expected to remain higher than the national average during this period posing the biggest problem for the state's economy. Sampson County's rate is expected to mirror changes in the national and state rates.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

Political and economic uncertainties continue in the development of annual state budgets. While state revenues remain within forecasted ranges, revenue shortfalls in the 3rd and 4th quarters of fiscal years have not been uncommon. These shortfalls continue to influence financial management. The College's enrollment continues to experience a modest decline, suggesting further loss of state funds. In the event of state executive or legislative action to address budget shortfalls, the College may be required to reduce personnel to address budget losses.

The College has enjoyed modest increases in local operating funds; however, further increases are expected to be limited leading to further stress on campus operating expenses and plant maintenance. Annual county tax base growth is expected to continue to be modest. For Sampson County, property tax collections are projected to increase to \$1,952,000 with all increases offset by state reductions in lottery proceeds and corporate income tax revenue for school construction. For FY 2011-2012, the College received an increase of \$36,149 in local current expense funding. No capital funds were provided. The county's economy will continue to be dominated by agriculture. Major industrial development is not expected.

While the College has extensive capital needs for both expansion and major facility repairs, capital funds from local or state sources are likely to be limited. The College's interest in acquiring the adjoining church property remains. Program planning for two additional buildings has been completed. Funding of these projects is not expected during this period.

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Sampson Community College
Statement of Net Assets
June 30, 2011

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 567,084.31
Restricted Cash and Cash Equivalents	475,090.01
Short-Term Investments	137,294.81
Restricted Short-Term Investments	19,485.82
Receivables, Net (Note 4)	205,726.23
Due from State of North Carolina Component Units	41,016.70
Inventories	225,877.50
Notes Receivable, Net (Note 4)	2,929.89
	<hr/>
Total Current Assets	1,674,505.27

Noncurrent Assets:

Restricted Cash and Cash Equivalents	27,785.52
Restricted Investments	80,675.73
Capital Assets - Nondepreciable (Note 5)	170,950.25
Capital Assets - Depreciable, Net (Note 5)	15,527,037.57
	<hr/>
Total Noncurrent Assets	15,806,449.07

Total Assets	<hr/> <hr/> 17,480,954.34
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	225,118.72
Due to Primary Government	1,370.60
Unearned Revenue	18,000.70
Funds Held for Others	22,576.89
Long-Term Liabilities - Current Portion (Note 7)	162,850.35
	<hr/>
Total Current Liabilities	429,917.26

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	783,528.14
	<hr/>
Total Noncurrent Liabilities	783,528.14

Total Liabilities	<hr/> <hr/> 1,213,445.40
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NET ASSETS

Invested in Capital Assets	15,697,987.82
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Restricted for:

Nonexpendable:	
Scholarships and Fellowships	80,675.73
Expendable:	
Scholarships and Fellowships	139.30
Restricted for Departmental Uses	78,652.45
Loans	7,528.73
Capital Projects	5,869.03
Instructional Technology Programs	177,052.82
Restricted for Specific Programs	187,299.04
Other	24,080.69

Unrestricted	<hr/> 8,223.33
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Total Net Assets	<hr/> <hr/> <hr/> \$ 16,267,508.94
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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, 2011***

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	\$ 903,758.25
Federal Grants and Contracts	37,074.94
State and Local Grants and Contracts	98,568.48
Sales and Services, Net (Note 8)	438,860.06
Other Operating Revenues	2,170.97
	<hr/>
Total Operating Revenues	<u>1,480,432.70</u>

EXPENSES

Operating Expenses:	
Salaries and Benefits	10,188,645.94
Supplies and Materials	1,996,909.25
Services	1,070,026.66
Scholarships and Fellowships	2,537,650.17
Utilities	322,806.97
Depreciation	569,445.76
	<hr/>
Total Operating Expenses	<u>16,685,484.75</u>
Operating Loss	<u>(15,205,052.05)</u>

NONOPERATING REVENUES (EXPENSES)

State Aid	8,252,098.38
County Appropriations	1,116,661.00
Noncapital Grants - Federal Student Financial Aid	3,840,205.35
Noncapital Grants	947,067.75
Noncapital Gifts	79,269.71
Investment Income	6,506.38
Interest on Debt	(13,408.85)
Other Nonoperating Revenues	101.43
	<hr/>
Net Nonoperating Revenues	<u>14,228,501.15</u>
Loss Before Other Revenues	(976,550.90)
State Capital Aid	1,114,430.67
County Capital Aid	21,852.00
	<hr/>
Increase in Net Assets	159,731.77

NET ASSETS

Net Assets, July 1, 2010	<u>16,107,777.17</u>
Net Assets, June 30, 2011	<u><u>\$ 16,267,508.94</u></u>

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, 2011

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 1,377,201.62
Payments to Employees and Fringe Benefits	(10,186,332.06)
Payments to Vendors and Suppliers	(3,452,897.96)
Payments for Scholarships and Fellowships	(2,537,650.17)
Collection of Loans to Students	101.43
Other Receipts	33,691.08
	<hr/>
Net Cash Used by Operating Activities	(14,765,886.06)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	8,252,098.38
County Appropriations	1,116,661.00
Noncapital Grants - Federal Student Financial Aid	3,840,205.35
Noncapital Grants Received	967,315.48
Noncapital Gifts	79,269.71
Principal Paid on Noncapital Debt	(59,991.24)
Interest Paid on Noncapital Debt	(13,408.85)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	14,182,149.83

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	1,163,281.45
County Capital Aid	21,852.00
Acquisition and Construction of Capital Assets	(661,359.41)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	523,774.04

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	6,030.32
	<hr/>
Cash Provided by Investing Activities	6,030.32

Net Decrease in Cash and Cash Equivalents	(53,931.87)
Cash and Cash Equivalents, July 1, 2010	1,123,891.71
	<hr/>
Cash and Cash Equivalents, June 30, 2011	\$ 1,069,959.84

Sampson Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (15,205,052.05)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	569,445.76
Miscellaneous Nonoperating Income	32,657.58
Changes in Assets and Liabilities:	
Receivables, Net	(98,502.09)
Inventories	(86,248.55)
Accounts Payable and Accrued Liabilities	59,356.48
Due to Primary Government	(1,114.98)
Unearned Revenue	(4,728.99)
Funds Held for Others	1,033.50
Compensated Absences	(32,732.72)
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (14,765,886.06)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 567,084.31
Restricted Cash and Cash Equivalents	475,090.01
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>27,785.52</u>
Total Cash and Cash Equivalents - June 30, 2011	<u><u>\$ 1,069,959.84</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	\$ 588.72
Capital Asset Write-Offs	(32,556.15)

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, 2011

Exhibit B-1

ASSETS

Cash and cash equivalents	\$ 80,383
Certificates of deposit	176,914
Investment securities	315,401
Student loans	695
Accrued interest receivable	11,382
Property held for sale	20,000

Assets restricted for investments in endowment:

Cash and cash equivalents	115,667
Certificates of deposit	556,773
Investment securities	25,347
Contributions receivable	6,500
Accrued interest receivable	1,770
	<u>706,057</u>

Total Assets	<u><u>\$ 1,310,832</u></u>
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NET ASSETS

Unrestricted	(296,916)
Unrestricted, board designated	446,053
Total Unrestricted	<u>149,137</u>

Temporarily Restricted	455,638
Permanently Restricted	<u>706,057</u>

Total Net Assets	<u><u>\$ 1,310,832</u></u>
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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, 2011

Exhibit B-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CHANGES IN UNRESTRICTED NET ASSETS				
Revenues, Gains, and Other Support				
Contributions	\$ 76,020	\$ 107,699	\$ 19,300	\$ 203,019
Special events	16,842	5,000		21,842
Interest and dividends	49	9,955	1,119	11,123
Investment gains	41,400	8,180	39	49,619
Sale of House Project #2		52,855		52,855
Satisfaction of restrictions				
Temporarily Restricted to Unrestricted	52,183	(52,183)		0
Total Revenues, Gains, and Other Support	<u>186,494</u>	<u>131,506</u>	<u>20,458</u>	<u>338,458</u>
Expenses and Losses:				
Program expenditures	129,252			129,252
Fund raising	8,447			8,447
Administrative	47,001			47,001
Investment loss	38	2,352		2,390
Bad Pledge Expense		7,864		7,864
Total Expenses	<u>184,738</u>	<u>10,216</u>		<u>194,954</u>
Change in Net Assets	1,756	121,290	20,458	143,504
Net Assets at Beginning of Year	<u>147,381</u>	<u>334,348</u>	<u>685,599</u>	<u>1,167,328</u>
Net Assets at End of Year	<u>\$ 149,137</u>	<u>\$ 455,638</u>	<u>\$ 706,057</u>	<u>\$ 1,310,832</u>

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

SAMPSON COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 - 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, 2011, the Foundation distributed \$82,742.77 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Resource Development Office, Sampson Community College, P.O. Box 318, Clinton, NC 28329.

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

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, the full scope of the College's activities is considered to be a single business-type activity 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, 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, 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. 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 50 to 75 years for general infrastructure, 18 to 50 years for buildings, and 5 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$1,069,404.84. In addition, the amount shown as investments includes \$237,456.36 of certificates of deposit with private financial institutions. At June 30, 2011, the College's total deposits with private institutions had a carrying value of \$1,306,861.20 and a bank balance of \$1,373,407.08.

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, 2011, the College's bank balance in excess of federal depository insurance coverage was covered under 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 G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; specified bills of exchange; certain savings certificates; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2011, the College's investments consisted of \$237,456.36 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; 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, 2011, is as follows:

Cash on Hand	\$	555.00
Carrying Amount of Deposits with Private Financial Institutions		1,069,404.84
Investments in Certificates of Deposit		237,456.36
Total Deposits and Investments	\$	1,307,416.20
Current:		
Cash and Cash Equivalents	\$	567,084.31
Restricted Cash and Cash Equivalents		475,090.01
Short-Term Investments		137,294.81
Restricted Short-Term Investments		19,485.82
Noncurrent:		
Restricted Cash and Cash Equivalents		27,785.52
Restricted Investments		80,675.73
Total	\$	1,307,416.20

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 donor agreements. Because the 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, 2011
Investment Type		
Certificates of Deposit	\$	733,687
Investment Securities		340,748
	\$	1,074,435

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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, 2009, 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.

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, 2011, an endowment asset of \$791.64 was available to be spent, all of which was restricted to specific purposes.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2011, were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 49,386.15	\$ 1,989.66	\$ 47,396.49
Accounts	137,267.58		137,267.58
Intergovernmental	5,170.74		5,170.74
Investment Earnings	226.12		226.12
Other	15,665.30		15,665.30
Total Current Receivables	<u>\$ 207,715.89</u>	<u>\$ 1,989.66</u>	<u>\$ 205,726.23</u>
Notes Receivable:			
Notes Receivable - Current:			
State Loan Programs	\$ 342.18	\$ 342.18	\$ 0.00
Institutional Student Loan Programs	9,310.24	6,380.35	2,929.89
Total Notes Receivable - Current	<u>\$ 9,652.42</u>	<u>\$ 6,722.53</u>	<u>\$ 2,929.89</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2011, is presented as follows:

	Balance July 1, 2010 (as restated)	Increases	Decreases	Balance June 30, 2011
Capital Assets, Nondepreciable:				
Land	\$ 80,950.25	\$ 0.00	\$ 0.00	\$ 80,950.25
Construction in Progress	958,865.62	60,568.24	929,433.86	90,000.00
Total Capital Assets, Nondepreciable	1,039,815.87	60,568.24	929,433.86	170,950.25
Capital Assets, Depreciable:				
Buildings	16,381,584.84	951,285.86		17,332,870.70
Machinery and Equipment	3,798,407.94	546,599.07	39,382.67	4,305,624.34
General Infrastructure	910,741.71	32,340.10		943,081.81
Total Capital Assets, Depreciable	21,090,734.49	1,530,225.03	39,382.67	22,581,576.85
Less Accumulated Depreciation for:				
Buildings	4,933,633.43	333,854.44		5,267,487.87
Machinery and Equipment	1,294,425.95	217,592.40	6,826.52	1,505,191.83
General Infrastructure	263,860.66	17,998.92		281,859.58
Total Accumulated Depreciation	6,491,920.04	569,445.76	6,826.52	7,054,539.28
Total Capital Assets, Depreciable, Net	14,598,814.45	960,779.27	32,556.15	15,527,037.57
Capital Assets, Net	\$ 15,638,630.32	\$ 1,021,347.51	\$ 961,990.01	\$ 15,697,987.82

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2011, were as follows:

	Amount
Accounts Payable	\$ 51,875.68
Accrued Payroll	173,243.04
Total Accounts Payable and Accrued Liabilities	\$ 225,118.72

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, 2011, is presented as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Current Portion
Notes Payable	\$ 379,943.94	\$ 0.00	\$ 59,991.24	\$ 319,952.70	\$ 59,991.24
Compensated Absences	659,158.51	381,710.24	414,442.96	626,425.79	102,859.11
Total Long-Term Liabilities	\$ 1,039,102.45	\$ 381,710.24	\$ 474,434.20	\$ 946,378.49	\$ 162,850.35

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Purpose	Financial Institution	Interest Rate	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2011	Principal Outstanding June 30, 2011
Guaranteed Energy Savings Contract	BB&T	4.18%	10/13/2016	\$ 689,898.68	\$ 369,945.98	\$ 319,952.70

The annual requirements to pay principal and interest on notes payable at June 30, 2011, are as follows:

Fiscal Year	Annual Requirements	
	Notes Payable	
	Principal	Interest
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	59,991.24	2,194.16
2017	19,996.50	174.71
Total Requirements	\$ 319,952.70	\$ 36,221.83

NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Change in Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees	\$ 2,034,196.41	\$ 1,129,693.51	\$ 744.65	\$ 903,758.25
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	\$ 915,825.61	\$ 585,959.45	\$ 1,245.01	\$ 328,621.15
Other	110,238.91			110,238.91
Total Sales and Services	\$ 1,026,064.52	\$ 585,959.45	\$ 1,245.01	\$ 438,860.06

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 6,136,211.09	\$ 867,403.26	\$ 408,973.14	\$ 2,625.00	\$ 10,353.24	\$ 0.00	\$ 7,425,565.73
Academic Support	951,574.41	39,357.52	55,969.48				1,046,901.41
Student Services	890,376.27	37,797.00	104,905.64	34,835.21			1,067,914.12
Institutional Support	1,789,034.41	134,796.31	276,179.14				2,200,009.86
Operations and Maintenance of Plant	323,844.94	167,536.23	202,260.81		312,453.73		1,006,095.71
Student Financial Aid			7,045.08	2,482,739.58			2,489,784.66
Auxiliary Enterprises	97,604.82	750,018.93	14,693.37	17,450.38			879,767.50
Depreciation						569,445.76	569,445.76
Total Operating Expenses	\$ 10,188,645.94	\$ 1,996,909.25	\$ 1,070,026.66	\$ 2,537,650.17	\$ 322,806.97	\$ 569,445.76	\$ 16,685,484.75

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 actuarial valuations. For the year ended June 30, 2011, these rates were set at 4.93% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$8,186,210.63, of which \$7,299,519.13 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$359,866.29 and \$437,971.15, respectively.

Required employer contribution rates for the years ended June 30, 2010, and 2009, were 3.57% and 3.36%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2011, 2010, and 2009, which were \$359,866.29, \$256,617.14, and \$247,451.08, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Deferred Compensation and Supplemental Retirement Income Plans** - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$36,500.00 for the year ended June 30, 2011.

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 \$102,058.08 for the year ended June 30, 2011.

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 \$83,679.96 for the year ended June 30, 2011.

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 4.9% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2010, and 2009, were 4.5% and 4.1%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2011, 2010, and 2009, which were \$357,676.44, \$323,466.98, and \$301,949.23, 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 “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, 2011, 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, 2010, and 2009, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2011, 2010, and 2009, which were \$37,957.50, \$37,378.41, and \$38,296.00, 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.

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers’ and employees’ liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The 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. The special extension of property coverage provides for protections with coverage of \$50,000 per occurrence with a \$250 deductible.

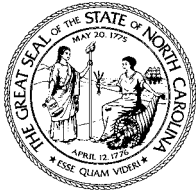
College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted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

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

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

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

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Beth A. Wood, CPA
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, 2011, which collectively comprise the College's basic financial statements and have issued our report thereon dated May 31, 2012. Our report was modified to include a reference to other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the 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.

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.

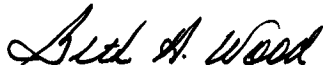
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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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

May 31, 2012

ORDERING INFORMATION

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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