



# STATE OF NORTH CAROLINA

**SAMPSON COMMUNITY COLLEGE**

**CLINTON, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

**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, 2012**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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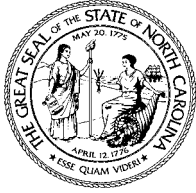
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**Beth A. Wood, CPA**  
State Auditor

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>

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**AUDITOR'S TRANSMITTAL**

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The Honorable Pat McCrory, 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, 2012, 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**

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Board of Trustees  
Sampson Community College  
Clinton, North Carolina

We have audited the accompanying financial statements of Sampson Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2012, 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, 2012, 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)

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2013 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. However, we do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Beth A. Wood, CPA  
State Auditor

January 18, 2013

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

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**Purpose**

The information in this section is intended to provide a general overview of the College's financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The College is required by Governmental Accounting Standards Board (GASB) to present three basic financial statements. Those statements are the *Statement of Net Assets*, *Statement of Revenues, Expenses, and Changes in Net Assets*, and the *Statement of Cash Flows*. 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>6/30/2012</u>	<u>6/30/2011</u>	<u>Variance</u>	<u>Variance %</u>
Cash and Cash Equivalents	\$ 698,513.44	\$ 567,084.31	\$ 131,429.13	23.18%
Restricted Cash and Cash Equivalents	467,329.02	475,090.01	(7,760.99)	(1.63)%
Short-Term Investments	212,552.71	137,294.81	75,257.90	54.81%
Restricted Short-Term Investments	19,542.54	19,485.82	56.72	0.29%
Receivables, Net	112,056.62	205,726.23	(93,669.61)	(45.53)%
Due from State Component Units		41,016.70	(41,016.70)	(100.00)%
Inventories	179,322.60	225,877.50	(46,554.90)	(20.61)%
Notes Receivable, Net	2,506.19	2,929.89	(423.70)	(14.46)%
Total Current Assets	<u>\$ 1,691,823.12</u>	<u>\$ 1,674,505.27</u>	<u>\$ 17,317.85</u>	1.03%

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The College's cash increased and receivables decreased due to a decrease of \$96,174.00 in outstanding Bookstore credit memos owed to the College as of June 30, 2012. Short-term investments increased by \$75,257.90 due to the College reclassifying a certificate of deposit in the amount of \$75,000.00 from noncurrent to current to pay for scholarships. The College received \$41,016.70 from Golden Leaf for the Ammonia Refrigeration program which decreased the College's due from state component units. Inventories decreased due primarily to the Bookstore inventory decreasing by \$46,636.55.

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

<u>Noncurrent Assets</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Variance</u>	<u>Variance %</u>
Restricted Cash and Cash Equivalents	\$ 37,544.22	\$ 27,785.52	\$ 9,758.70	35.12%
Restricted Investments		80,675.73	(80,675.73)	(100.00)%
Other Investments	95,000.00		95,000.00	100.00%
Capital Assets, Net	<u>15,258,158.46</u>	<u>15,697,987.82</u>	<u>(439,829.36)</u>	<u>(2.80)%</u>
Total Noncurrent Assets	<u>\$ 15,390,702.68</u>	<u>\$ 15,806,449.07</u>	<u>\$ (415,746.39)</u>	<u>(2.63)%</u>

Restricted cash and cash equivalents increase was due to agency funds increasing by \$9,758.70. Other investments increased due to the College purchasing a certificate of deposit with Southern Bank in the amount of \$95,000.00 for future uses.

The College transferred the \$75,000.00 Williams Endowment and the \$5,675.73 Williamson Endowment to the Sampson Community College Foundation, Inc. (Foundation), resulting in a decrease to restricted investments by 100%. At year end, the College still held all rights to one of the investments (\$75,000.00 certificate of deposit discussed above). Therefore, the College used other unrestricted cash funds to satisfy the transfer to the Foundation.

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 \$259,961.46 note payable from BB&T for a Guaranteed Energy Savings Contract. Long-term



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

liabilities decreased, in part, due to the College paying down \$59,991.24 of the Guaranteed Energy Savings Contract.

<u>Liabilities</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Variance</u>	<u>Variance %</u>
Current	\$ 409,378.76	\$ 429,917.26	\$ (20,538.50)	(4.78)%
Long-Term	<u>678,723.87</u>	<u>783,528.14</u>	<u>(104,804.27)</u>	<u>(13.38)%</u>
Total Liabilities	<u>\$ 1,088,102.63</u>	<u>\$ 1,213,445.40</u>	<u>\$ (125,342.77)</u>	<u>(10.33)%</u>

### Net Assets

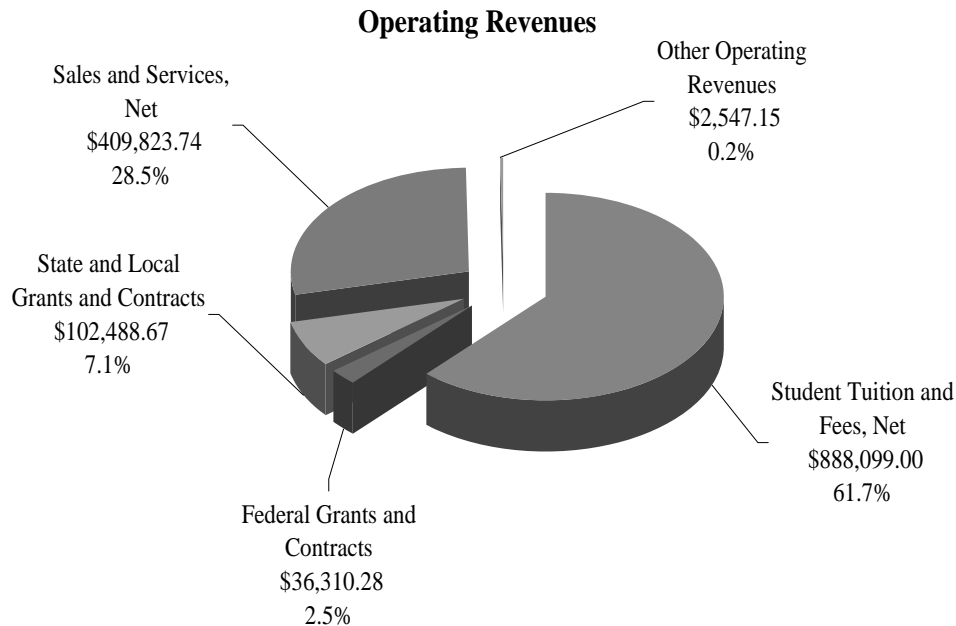
Net assets are a measure of the value of all the College's assets after liabilities and depreciation are deducted. The College's net assets decreased by \$273,085.77. Unrestricted net assets increased by \$223,017.13. The majority of this increase was due to the reduction of expenses and increase in fund balance for county funds, which totaled \$104,076.09. Also, the Bookstore had a total increase of \$50,927.44 in unrestricted net assets resulting from a decrease in expenses and an increase in fund balance.

<u>Net Assets</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Variance</u>	<u>Variance %</u>
Invested in Capital Assets	\$ 15,258,158.46	\$ 15,697,987.82	\$ (439,829.36)	(2.80)%
Restricted	505,024.25	561,297.79	(56,273.54)	(10.03)%
Unrestricted	<u>231,240.46</u>	<u>8,223.33</u>	<u>223,017.13</u>	<u>2712.01%</u>
Total Net Assets	<u>\$ 15,994,423.17</u>	<u>\$ 16,267,508.94</u>	<u>\$ (273,085.77)</u>	<u>(1.68)%</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Revenues

The College's revenues are classified as operating and nonoperating revenues. Operating revenues include student tuition and fees, federal, state and local grants and contracts, and the revenue received from sales and services, principally comprised of the revenue received from the bookstore, vending, and the rental of the food service operation. The majority of the decrease in sales and services, net was due to an \$18,276.18 decrease in Bookstore sales.

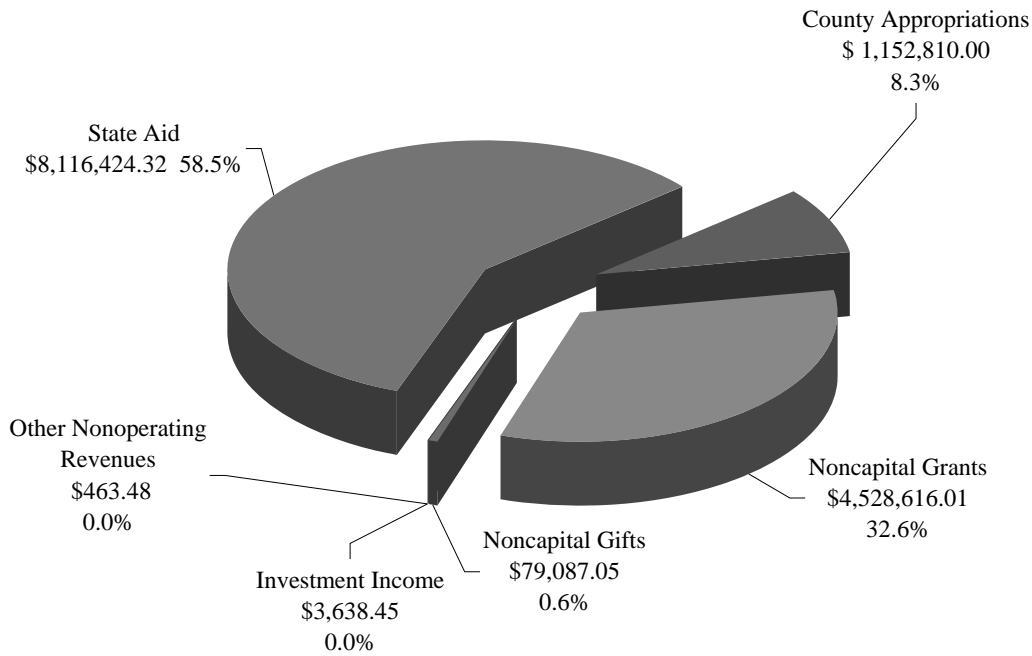


<u>Operating Revenues</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Variance</u>	<u>Variance %</u>
Student Tuition and Fees, Net	\$ 888,099.00	\$ 903,758.25	\$ (15,659.25)	(1.73)%
Federal Grants and Contracts	36,310.28	37,074.94	(764.66)	(2.06)%
State and Local Grants and Contracts	102,488.67	98,568.48	3,920.19	3.98%
Sales and Services, Net	409,823.74	438,860.06	(29,036.32)	(6.62)%
Other Operating Revenues	2,547.15	2,170.97	376.18	17.33%
<b>Total Operating Revenues</b>	<b>\$ 1,439,268.84</b>	<b>\$ 1,480,432.70</b>	<b>\$ (41,163.86)</b>	<b>(2.78)%</b>

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

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 decrease in noncapital grants is the result of the College receiving \$135,977.06 less in federal/other current pass through grants and \$50,282.15 less in general scholarships.

**Nonoperating Revenues**



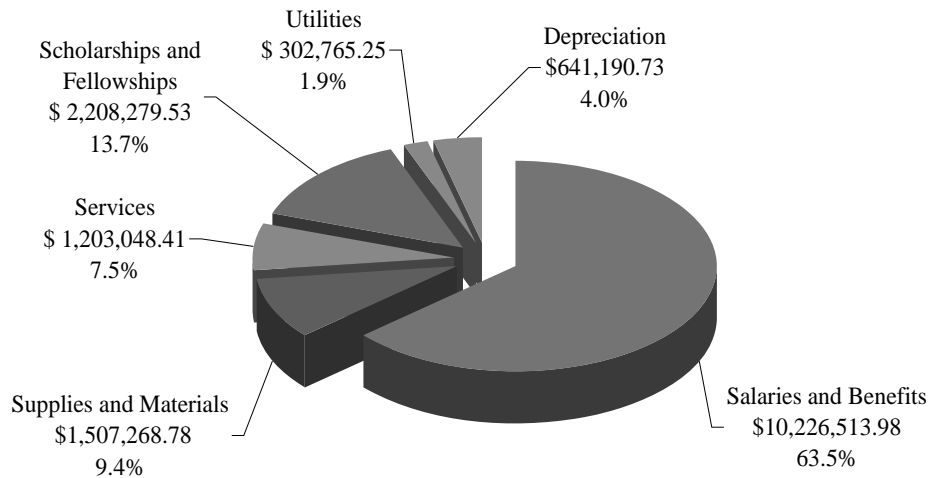
<u>Nonoperating Revenues</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Variance</u>	<u>Variance %</u>
State Aid	\$ 8,116,424.32	\$ 8,252,098.38	\$ (135,674.06)	(1.64)%
County Appropriations	1,152,810.00	1,116,661.00	36,149.00	3.24%
Noncapital Grants	4,528,616.01	4,787,273.10	(258,657.09)	(5.40)%
Noncapital Gifts	79,087.05	79,269.71	(182.66)	(0.23)%
Investment Income	3,638.45	6,506.38	(2,867.93)	(44.08)%
Other Nonoperating Revenues	463.48	101.43	362.05	356.95%
<b>Total Nonoperating Revenues</b>	<b>\$ 13,881,039.31</b>	<b>\$ 14,241,910.00</b>	<b>\$ (360,870.69)</b>	<b>(2.53)%</b>

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

**Operating Expenses**

The operating expenses of the College are comprised principally of the direct cost of personnel and their fringe benefits identified as salaries and benefits. The majority of the variance in supplies and materials was due to a decrease of \$277,647.05 in noncapitalized equipment purchases due to less funds available. The decrease in scholarships and fellowships was mainly comprised of the \$248,881.27 increase in financial aid applied to tuition, fees, and Bookstore sales.

**Operating Expenses**



<u>Operating Expenses</u>	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Variance</u>	<u>Variance %</u>
Salaries and Benefits	\$ 10,226,513.98	\$ 10,188,645.94	\$ 37,868.04	0.37%
Supplies and Materials	1,507,268.78	1,996,909.25	(489,640.47)	(24.52)%
Services	1,203,048.41	1,070,026.66	133,021.75	12.43%
Scholarships and Fellowships	2,208,279.53	2,537,650.17	(329,370.64)	(12.98)%
Utilities	302,765.25	322,806.97	(20,041.72)	(6.21)%
Depreciation	641,190.73	569,445.76	71,744.97	12.60%
<b>Total Operating Expenses</b>	<b>\$ 16,089,066.68</b>	<b>\$ 16,685,484.75</b>	<b>\$ (596,418.07)</b>	<b>(3.57)%</b>

**Nonoperating Expenses**

Nonoperating expenses are comprised of \$12,224.69 from the interest expense on the BB&T Guaranteed Energy Savings Contract.

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

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**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>6/30/2012</u>	<u>6/30/2011</u>	<u>Variance</u>	<u>Variance %</u>
State Capital Aid	\$ 507,897.45	\$ 1,114,430.67	\$ (606,533.22)	(54.43)%
County Capital Aid		21,852.00	(21,852.00)	(100.00)%
Total Capital Contributions	<u>\$ 507,897.45</u>	<u>\$ 1,136,282.67</u>	<u>\$ (628,385.22)</u>	<u>(55.30)%</u>

The College received \$606,533.22 less for state capital certification during the 2011-2012 fiscal year. The College did not receive county capital outlay this fiscal year which resulted in a decrease in county capital aid.

**Significant Effects on Financial Position**

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

1. The College's curriculum enrollment continues to experience decline. The College's curriculum full-time equivalent (FTE) enrollment for the 2012 Fall Semester, based upon estimates after the census date, suggests a further decline of 4 to 6% in curriculum FTE as the basis for funding for fiscal year 2012-2013. While 3-year averaging provides some leveling during periods of declining enrollment, without increases in formula funding levels, the College's fiscal year 2012-2013 state operating funds could reflect a significant decline.

<u>Program</u>	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>
Occupational	294	293	365	301	340	329
Basic Skills	373	366	371	364	360	351
Curriculum	1,077	1,042	1,144	1,304	1,254	1,260
Total	<u>1,744</u>	<u>1,701</u>	<u>1,880</u>	<u>1,969</u>	<u>1,954</u>	<u>1,940</u>

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

2. The state current expense funding after management flexibility reduction for fiscal year 2012-2013 reflected an increase of \$97,890.00 from fiscal year 2011-2012 levels.

<u>State Budget Comparison</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>Difference</u>
Total Budgeted FTE's	\$ 1,954.00	\$ 1,940.00	\$ (14.00)
Total Formula Budget Allocation	<u>11,119,615.00</u>	<u>11,248,770.00</u>	<u>129,155.00</u>
Total State Budget	11,833,222.00	11,958,377.00	125,155.00
Management Flexibility Reduction	<u>(743,576.00)</u>	<u>(770,841.00)</u>	<u>(27,265.00)</u>
Total State Budget After Management Flexibility Reduction	<u>\$ 11,089,646.00</u>	<u>\$ 11,187,536.00</u>	<u>\$ 97,890.00</u>

3. Changes in Title IV federal student financial aid regulations effective for the 2012-2013 academic year now impose lifetime eligibility limits for Pell awards along with standards for satisfactory academic progress. These changes along with expiring eligibility from third party providers have and continue to threaten the continued enrollment of one hundred or more curriculum students.
4. The College curriculum program enrollment continues to be heavily dependent upon enrollment in three program areas: Nursing (24%), College Transfer (19%), and Early Childhood Education (10%). In addition, the Early College High School (ECHS) comprises 8% of curriculum enrollment. While no identified threats to enrollment in these programs are anticipated, the College’s annual formula funding can be unduly influenced by changes in enrollment in any of these program areas.
5. The North Carolina Department of Transportation is exercising eminent domain to acquire 1.7 acres of the College’s campus adjoining NC Hwy 24. The current offer of \$263,100.00 fails to address the College’s documented need for \$648,045.00 in campus improvements necessary to address traffic and parking concerns from the displacement of the current entrance. If funds are not provided through negotiation, the cost of the campus improvements would be a county expense.
6. State tuition rates for in-state students continue to increase reflecting the increasing cost of attendance for students. Over the last eight years, tuition has increased more than 75% with further increases anticipated as the State addressed further demands for funds to meet federal requirements for Medicaid and unemployment compensation.

**Economic Forecast**

North Carolina’s economic growth is strongly correlated with changes in the national economy. The State’s \$3.7 billion budgetary shortfall was closed before the start of the fiscal year by spending reductions.

The slow recovery to the nation’s housing industry continues to undermine economic recovery. Four million households have been lost since the onset of the housing recession and 3.5 million are concurrently in or near foreclosure; some 13.5 million are in houses with debt

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

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exceeding their current valuation. Estimates to Risk to the slow economic recovery is threatened by the continuing uncertainty in policy makers ability to forge compromise legislation to prevent significant tax increases and spending reductions at the end of the calendar year. The European fiscal crisis, the threat of further decline in other foreign economic activity, particularly China, and the ongoing unrest in the Middle East and North Africa could readily halt economic recovery.

The Fiscal Research Division of the North Carolina General Assembly (Fiscal Research) reported that, for fiscal year 2011-2012, a number of tax collections failed to meet forecasted levels for the year: Sales tax (-\$36 million), franchise tax (-\$37 million), and non-tax revenue (-\$85 million). The State's fiscal year 2010-2011 surplus was attributable to the delay in taxpayers taking advantage of a business exemption, not unexpected economic growth. Economy-based tax collections have slowed during the beginning months of fiscal year 2012-2013. Some difficulty may be experienced in meeting the forecasted revenue collections which could result in reversions or limitations on monthly cash certification in the third or fourth quarter. Fiscal Research predicts a slow recovery (4.3%) through the fiscal year; however, as noted above, significant uncertainty exists in important determinates of economic growth.

State budget analysts point to long-term trends within the state budget showing increasing shares of the state budget devoted to Medicaid spending. The rising share of state expenditures is more alarming as these expenditures capture larger portions of the state's budget under the Affordable Care Act placing further pressure on the General Assembly to limit growth in appropriations to all levels of public education.

Sampson County has previously experienced the majority of large plant closings. The county's economy remains overwhelmingly dependent upon agriculture income with the majority of this income originating within the animal production industry. The tax base for the county continues to experience modest growth. Significant increases in local funding are not anticipated during the next five years. For fiscal year 2012-2013, current expense appropriations from Sampson County were \$1,217,137.00 exceeding fiscal year 2011-2012 appropriations by \$64,327.00. The College experienced significant increases in the costs of operations notably the cost of insurance (+\$21,329.00). The College received \$85,000.00 in capital funds. No capital funding was provided in the previous year.

As part of a County Manager led initiative, the Board of Commissioners provided the first annual appropriation to a capital reserve fund available to the Board of Trustees upon request to address significant capital repairs of the campus in the amount of \$56,250.00.

The College has extensive capital needs to address deferred maintenance items, to provide for needed classroom and laboratory space as documented in preliminary project plans for a Nursing and Allied Health facility and an Early Childhood Education building, and to improve existing science laboratories on campus. No additional capital funding is expected until economic conditions at the federal, state, and local levels reflect sustained growth and stability.

***Sampson Community College***  
***Statement of Net Assets***  
***June 30, 2012***

***Exhibit A-1***

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 698,513.44
Restricted Cash and Cash Equivalents	467,329.02
Short-Term Investments	212,552.71
Restricted Short-Term Investments	19,542.54
Receivables, Net (Note 4)	112,056.62
Inventories	179,322.60
Notes Receivable, Net (Note 4)	<u>2,506.19</u>
Total Current Assets	<u>1,691,823.12</u>

Noncurrent Assets:

Restricted Cash and Cash Equivalents	37,544.22
Other Investments	95,000.00
Capital Assets - Nondepreciable (Note 5)	170,950.25
Capital Assets - Depreciable, Net (Note 5)	<u>15,087,208.21</u>
Total Noncurrent Assets	<u>15,390,702.68</u>
Total Assets	<u>17,082,525.80</u>

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 6)	193,957.38
Due to Primary Government	1,261.29
Unearned Revenue	26,869.39
Funds Held for Others	32,695.44
Long-Term Liabilities - Current Portion (Note 7)	<u>154,595.26</u>
Total Current Liabilities	<u>409,378.76</u>

Noncurrent Liabilities:

Long-Term Liabilities (Note 7)	<u>678,723.87</u>
Total Liabilities	<u>1,088,102.63</u>

**NET ASSETS**

Invested in Capital Assets	15,258,158.46
Restricted for Expendable:	
Scholarships and Fellowships	15,677.56
Restricted for Departmental Uses	86,789.96
Loans	7,992.21
Capital Projects	5,869.03
Instructional Technology Programs	214,013.76
Restricted for Specific Programs	133,705.62
Other	40,976.11
Unrestricted	<u>231,240.46</u>
Total Net Assets	<u>\$ 15,994,423.17</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, 2012***

***Exhibit A-2***

**REVENUES**

Operating Revenues:

Student Tuition and Fees, Net (Note 8)	\$ 888,099.00
Federal Grants and Contracts	36,310.28
State and Local Grants and Contracts	102,488.67
Sales and Services, Net (Note 8)	409,823.74
Other Operating Revenues	2,547.15

Total Operating Revenues	1,439,268.84
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**EXPENSES**

Operating Expenses:

Salaries and Benefits	10,226,513.98
Supplies and Materials	1,507,268.78
Services	1,203,048.41
Scholarships and Fellowships	2,208,279.53
Utilities	302,765.25
Depreciation	641,190.73

Total Operating Expenses	16,089,066.68
--------------------------	---------------

Operating Loss	(14,649,797.84)
----------------	-----------------

**NONOPERATING REVENUES (EXPENSES)**

State Aid	8,116,424.32
County Appropriations	1,152,810.00
Noncapital Grants - Student Financial Aid	3,777,037.06
Noncapital Grants	751,578.95
Noncapital Gifts	79,087.05
Investment Income	3,638.45
Interest on Debt	(12,224.69)
Other Nonoperating Revenues	463.48

Net Nonoperating Revenues	13,868,814.62
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Loss Before Other Revenues	(780,983.22)
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State Capital Aid	507,897.45
-------------------	------------

Decrease in Net Assets	(273,085.77)
------------------------	--------------

**NET ASSETS**

Net Assets, July 1, 2011	16,267,508.94
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Net Assets, June 30, 2012	\$ 15,994,423.17
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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, 2012***

***Exhibit A-3***  
***Page 1 of 2***

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 1,539,319.29
Payments to Employees and Fringe Benefits	(10,282,802.80)
Payments to Vendors and Suppliers	(2,994,577.49)
Payments for Scholarships and Fellowships	(2,208,279.53)
Collection of Loans to Students	423.70
Other Receipts	10,582.03
	<hr/>
Net Cash Used by Operating Activities	(13,935,334.80)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	8,116,424.32
County Appropriations	1,152,810.00
Noncapital Grants - Student Financial Aid	3,777,037.06
Noncapital Grants Received	794,966.14
Noncapital Gifts Received	79,087.05
Principal Paid on Noncapital Debt	(59,991.24)
Interest Paid on Noncapital Debt	(12,224.69)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	13,848,108.64

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

State Capital Aid Received	507,897.45
Acquisition of Capital Assets	(201,361.37)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	306,536.08

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	5,675.73
Investment Income	3,441.19
Purchase of Investments and Related Fees	(95,000.00)
	<hr/>
Net Cash Used by Investing Activities	(85,883.08)

Net Increase in Cash and Cash Equivalents	133,426.84
Cash and Cash Equivalents, July 1, 2011	1,069,959.84
	<hr/>
Cash and Cash Equivalents, June 30, 2012	\$ 1,203,386.68



***Sampson Community College Foundation, Inc.***  
***Statement of Financial Position***  
***June 30, 2012***

***Exhibit B-1***

**ASSETS**

Cash and Cash Equivalents	\$	167,294
Certificates of Deposit		163,619
Investment Securities		305,970
Contributions Receivable		3,000
Due from Affiliate		5,699
Student Loans		190
Accrued Interest Receivable		27,891
Property Held for Sale		18,500
Assets Restricted for Investments in Endowment		
Cash and Cash Equivalents		172,053
Certificates of Deposit		509,605
Investment Securities		25,000
Contributions Receivable		75,000
Due from Affiliate		1,500
Accrued Interest Receivable		998
		<u>1,476,319</u>
Total Assets		<u>1,476,319</u>

**NET ASSETS**

Unrestricted	(59,682)
Unrestricted, Board Designated	288,962
Total Unrestricted	<u>229,280</u>
Temporarily Restricted	462,883
Permanently Restricted	784,156
	<u>1,476,319</u>
Total Net Assets	<u><u>\$ 1,476,319</u></u>

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, 2012***

***Exhibit B-2***

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>CHANGES IN NET ASSETS</b>				
Revenues, Gains, and Other Support:				
Contributions	\$ 60,396	\$ 76,826	\$ 8,099	\$ 145,321
Special Events	15,060	14,457		29,517
Interest and Dividends	26	18,057		18,083
Investment Gains	47,430	6,384		53,814
Reclassification Due to Imposed Restrictions		5,000	(5,000)	
Transfer of Funds from Affiliated Organization		5,669	75,000	80,669
Satisfaction of Restrictions				
Temporarily Restricted to Unrestricted	112,370	(112,370)		
Total Revenues, Gains, and Other Support	<u>235,282</u>	<u>14,023</u>	<u>78,099</u>	<u>327,404</u>
Expenses and Losses:				
Program Expenditures	86,139			86,139
Fund Raising	7,381			7,381
Administrative	13,275			13,275
Investment Loss	48,344	6,778		55,122
Total Expenses and Losses	<u>155,139</u>	<u>6,778</u>		<u>161,917</u>
Change in Net Assets	80,143	7,245	78,099	165,487
Net Assets at Beginning of Year	<u>149,137</u>	<u>455,638</u>	<u>706,057</u>	<u>1,310,832</u>
Net Assets at End of Year	<u>\$ 229,280</u>	<u>\$ 462,883</u>	<u>\$ 784,156</u>	<u>\$ 1,476,319</u>

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

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**SAMPSON COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (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 Foundation Director, 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)

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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, 2012, the Foundation distributed \$66,097.96 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Resource Development Office, Sampson Community College, P.O. Box 318, Clinton, NC 28329.

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

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

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

- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, 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, include state appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, and cash on deposit with private bank accounts.
- E. Investments** - This classification includes certificates of deposit. Certificates of deposit are reported at cost.
- F. Receivables** - Receivables consist of tuition and fees 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.

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.
- 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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current and noncurrent, leave is considered taken using a last-in, first-out 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 - Expendable** - Expendable restricted net assets include resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

**Unrestricted Net Assets** - Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

**M. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

- N. Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, state, and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and state aid that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

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

### NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - The College is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the College, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General*

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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*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 \$655 and deposits in private financial institutions with a carrying value of \$1,202,731.68. In addition, the amount shown as investments includes \$327,095.25 of certificates of deposit with private financial institutions. At June 30, 2012, the College's total deposits with private institutions had a carrying value of \$1,529,826.93 and a bank balance of \$1,731,499.93.

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, 2012, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

Generally, funds belonging to the College may be invested in any form of investment established or managed by certain investment advisors pursuant to G.S. 115D-58.6 (d1) or 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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, 2012, the College's investments consisted of \$327,095.25 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 as of June 30, 2012 is as follows:

Cash on Hand	\$	655.00
Carrying Amount of Deposits with Private Financial Institutions		1,202,731.68
Investments in Certificates of Deposit		<u>327,095.25</u>
Total Deposits and Investments	\$	<u>1,530,481.93</u>
Current:		
Cash and Cash Equivalents	\$	698,513.44
Restricted Cash and Cash Equivalents		467,329.02
Short-Term Investments		212,552.71
Restricted Short-Term Investments		19,542.54
Noncurrent:		
Restricted Cash and Cash Equivalents		37,544.22
Other Investments		<u>95,000.00</u>
Total	\$	<u>1,530,481.93</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 donor agreements. Because the Foundation reports under the FASB reporting model, disclosures of the various investment risks are not required.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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The following is an analysis of investments by type:

	Value at June 30, 2012
<b>Investment Type</b>	
Certificates of Deposit	\$ 673,224
Investment Securities	<u>330,970</u>
Total	<u>\$ 1,004,194</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, 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, 2012, net appreciation of \$489.09 was available to be spent, all of which was classified in net assets restricted: expendable: scholarships and fellowships as it is restricted for specific purposes. At June 30, 2012, the R.E. Williams and Annie Lou Williams endowment fund and the Williamson endowment fund were transferred to the Sampson Community College Foundation, Inc.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 - RECEIVABLES

Receivables at June 30, 2012 were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
<b>Current Receivables:</b>			
Students	\$ 5,067.36	\$ 1,989.66	\$ 3,077.70
Student Sponsors	46,048.29		46,048.29
Accounts	43,356.76		43,356.76
Intergovernmental	2,800.25		2,800.25
Investment Earnings	108.76		108.76
Other	<u>16,664.86</u>		<u>16,664.86</u>
<b>Total Current Receivables</b>	<u>\$ 114,046.28</u>	<u>\$ 1,989.66</u>	<u>\$ 112,056.62</u>
<b>Notes Receivable:</b>			
<b>Notes Receivable - Current:</b>			
State Loan Programs	\$ 302.93	\$ 302.93	\$ 0.00
Institutional Student Loan Programs	<u>8,462.31</u>	<u>5,956.12</u>	<u>2,506.19</u>
<b>Total Notes Receivable - Current</b>	<u>\$ 8,765.24</u>	<u>\$ 6,259.05</u>	<u>\$ 2,506.19</u>

### NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2012 is presented as follows:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Capital Assets, Nondepreciable:				
Land	\$ 80,950.25	\$ 0.00	\$ 0.00	\$ 80,950.25
Construction in Progress	<u>90,000.00</u>			<u>90,000.00</u>
<b>Total Capital Assets, Nondepreciable</b>	<u>170,950.25</u>			<u>170,950.25</u>
Capital Assets, Depreciable:				
Buildings	17,332,870.70	5,580.00		17,338,450.70
Machinery and Equipment	4,305,624.34	195,781.37		4,501,405.71
General Infrastructure	<u>943,081.81</u>			<u>943,081.81</u>
<b>Total Capital Assets, Depreciable</b>	<u>22,581,576.85</u>	<u>201,361.37</u>		<u>22,782,938.22</u>
Less Accumulated Depreciation for:				
Buildings	5,267,487.87	351,759.42		5,619,247.29
Machinery and Equipment	1,505,191.83	271,432.39		1,776,624.22
General Infrastructure	<u>281,859.58</u>	<u>17,998.92</u>		<u>299,858.50</u>
<b>Total Accumulated Depreciation</b>	<u>7,054,539.28</u>	<u>641,190.73</u>		<u>7,695,730.01</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>15,527,037.57</u>	<u>(439,829.36)</u>		<u>15,087,208.21</u>
<b>Capital Assets, Net</b>	<u>\$ 15,697,987.82</u>	<u>\$ (439,829.36)</u>	<u>\$ 0.00</u>	<u>\$ 15,258,158.46</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2012 were as follows:

	Amount
Accounts Payable	\$ 23,935.04
Accrued Payroll	170,022.34
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 193,957.38</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, 2012, is presented as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Notes Payable	\$ 319,952.70	\$ 0.00	\$ 59,991.24	\$ 259,961.46	\$ 59,991.24
Compensated Absences	626,425.79	400,948.26	454,016.38	573,357.67	94,604.02
<b>Total Long-Term Liabilities</b>	<b>\$ 946,378.49</b>	<b>\$ 400,948.26</b>	<b>\$ 514,007.62</b>	<b>\$ 833,319.13</b>	<b>\$ 154,595.26</b>

**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, 2012	Principal Outstanding June 30, 2012
Guaranteed Energy Savings Contract	BB&T	4.18%	10/13/2016	\$ 689,898.68	\$ 429,937.22	\$ 259,961.46

The annual requirements to pay principal and interest on notes payable at June 30, 2012, are as follows:

Fiscal Year	Annual Requirements Notes Payable	
	Principal	Interest
	2013	\$ 59,991.24
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
<b>Total Requirements</b>	<b>\$ 259,961.46</b>	<b>\$ 23,997.14</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	Less Allowance for Uncollectibles	Net Revenues
<b>Operating Revenues:</b>				
<b>Student Tuition and Fees</b>	\$ 2,251,067.02	\$ 1,362,223.37	\$ 744.65	\$ 888,099.00
<b>Sales and Services:</b>				
Sales and Services of Auxiliary Enterprises:				
Bookstore	\$ 916,651.02	\$ 605,061.04	\$ 1,245.01	\$ 310,344.97
Other	99,478.77			99,478.77
<b>Total Sales and Services</b>	<b>\$ 1,016,129.79</b>	<b>\$ 605,061.04</b>	<b>\$ 1,245.01</b>	<b>\$ 409,823.74</b>

### 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	\$ 6,107,465.46	\$ 508,808.84	\$ 393,149.89	\$ 5,573.28	\$ 10,597.87	\$ 0.00	\$ 7,025,595.34
Academic Support	949,496.23	34,664.10	23,987.04				1,008,147.37
Student Services	932,692.75	34,060.58	110,394.34	39,263.00			1,116,410.67
Institutional Support	1,849,464.61	95,417.38	343,461.43				2,288,343.42
Operations and Maintenance of Plant	301,965.04	88,530.53	208,083.49		292,167.38		890,746.44
Student Financial Aid			87,762.49	2,139,095.19			2,226,857.68
Auxiliary Enterprises	85,429.89	745,787.35	36,209.73	24,348.06			891,775.03
Depreciation						641,190.73	641,190.73
<b>Total Operating Expenses</b>	<b>\$ 10,226,513.98</b>	<b>\$ 1,507,268.78</b>	<b>\$ 1,203,048.41</b>	<b>\$ 2,208,279.53</b>	<b>\$ 302,765.25</b>	<b>\$ 641,190.73</b>	<b>\$ 16,089,066.68</b>

### 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 (Plan) 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*

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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*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, 2012, these rates were set at 7.44% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$8,045,024.48, of which \$7,194,550.47 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$535,274.56 and \$431,673.03, respectively.

Required employer contribution rates for the years ended June 30, 2011, and 2010, were 4.93% and 3.57%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2012, 2011, and 2010, which were \$535,274.56, \$359,866.29, and \$256,617.14, 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 "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- B. Deferred Compensation and Supplemental Retirement Income Plans** - Internal Revenue Code 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 \$24,250.00 for the year ended June 30, 2012.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Internal Revenue Code 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 \$82,897.55 for the year ended June 30, 2012.

Internal Revenue Code 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. The plan administrator is The Variable Annuity Life Insurance Company (VALIC). No costs are incurred by the College. The voluntary contributions by employees amounted to \$59,963.30 for the year ended June 30, 2012.

### **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 the State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees as authorized by Chapter 135, Article 3B, of the General Statutes. 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 State Treasurer and the Board of Trustees of the State Health Plan for Teachers and State Employees.

For the current fiscal year the College contributed 5.0% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2011, and 2010, were 4.9% and 4.5%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2012, 2011, and 2010, which were \$359,727.52, \$357,676.44, and \$323,466.98, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- 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, 2012, the College made a statutory contribution of 0.52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2011, and 2010, were 0.52% and 0.52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2012, 2011, and 2010, which were \$37,411.66, \$37,957.50, and \$37,378.41, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

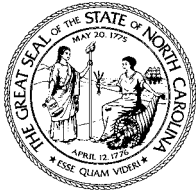
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College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by 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 0.16% 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.



**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**

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Board of Trustees  
Sampson Community College  
Clinton, North Carolina

We have audited the financial statements of Sampson Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements and have issued our report thereon dated January 18, 2013. 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

The College's management is responsible for establishing and maintaining effective 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.

**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)**

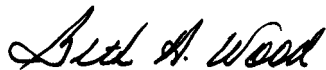
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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

January 18, 2013



## **ORDERING INFORMATION**

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

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State of North Carolina  
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20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647

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This audit required 439 audit hours at an approximate cost of \$31,608. The cost represents 0.19% of the College's total assets and 0.19% of total expenses subjected to audit.