

STATE OF NORTH CAROLINA

SAMPSON COMMUNITY COLLEGE

CLINTON, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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, 2013

STATE BOARD OF COMMUNITY COLLEGES

THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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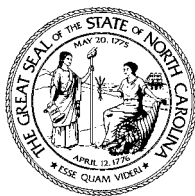
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Beth A. Wood, CPA
State Auditor

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>

AUDITOR'S TRANSMITTAL

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, 2013, 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*.

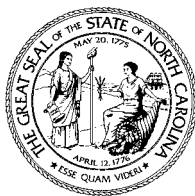
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

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

Beth A. Wood, CPA
State Auditor

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Beth A. Wood, CPA
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Sampson Community College
Clinton, North Carolina

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely 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 from material misstatement. The financial statements of Sampson Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Sampson Community College, and its discretely presented component unit as of June 30, 2013, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

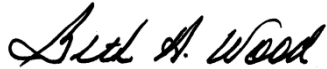
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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 our audit of the basic financial statements. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 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, and grant agreements and other matters. The purpose of that report is to describe

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

October 8, 2013

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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 Governmental Accounting Standards Board (GASB) to present three basic financial statements. Those statements are the *Statement of Net Position*, *Statement of Revenues, Expenses, and Changes in Net Position*, and the *Statement of Cash Flows*. The Statement of Net Position presents the assets, liabilities, and net position 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 Position 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 Position as adjusted for changes in the beginning and ending balance of noncash accounts on the Statement of Net Position.

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.

Current Assets	6/30/2013	6/30/2012	Variance	Variance %
Cash and Cash Equivalents	\$ 860,706.92	\$ 698,513.44	\$ 162,193.48	23.22%
Restricted Cash and Cash Equivalents	508,351.29	467,329.02	41,022.27	8.78%
Short-Term Investments	115,000.00	212,552.71	(97,552.71)	-45.90%
Restricted Short-Term Investments		19,542.54	(19,542.54)	-100.00%
Receivables, Net	172,329.13	112,056.62	60,272.51	53.79%
Inventories	179,385.80	179,322.60	63.20	0.04%
Notes Receivable, Net	395.32	2,506.19	(2,110.87)	-84.23%
Total Current Assets	\$ 1,836,168.46	\$ 1,691,823.12	\$ 144,345.34	8.53%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The College's cash increased due to the bookstore cash increasing by \$82,431.86, county cash increasing by \$52,981.58, and clearwire cash increasing by \$22,694.75 as a result of current-year operations.

The College began a new banking agreement with Southern Bank on July 1, 2012 which required the College to close all accounts, including certificate of deposits with First Citizens Bank, and open new accounts with Southern Bank. Short-term investments decreased due to the College decreasing the amount of the certificate of deposit for the bookstore by \$95,507.28 for operating needs when they opened up the new certificate of deposit with Southern Bank. The majority of the receivables increase was a result of an increase in bookstore credit memos of \$71,091.98.

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

Noncurrent Assets	6/30/2013	6/30/2012	Variance	Variance %
Restricted Cash and Cash Equivalents	\$ 32,958.70	\$ 37,544.22	\$ (4,585.52)	-12.21%
Other Investments	95,000.00	95,000.00		0.00%
Capital Assets, Net	14,779,423.36	15,258,158.46	(478,735.10)	-3.14%
Total Noncurrent Assets	<u>\$ 14,907,382.06</u>	<u>\$ 15,390,702.68</u>	<u>\$ (483,320.62)</u>	-3.14%

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 5-50 years, depending upon the expected useful life of the asset. The College's capital assets decreased by \$478,735.10 from the prior year. The College had \$129,522.76 of additions to capital assets, \$285,778.67 of deletions of capital assets due to surplus and cannibalization, and depreciation expense for the fiscal year was \$608,257.86.

Institutional Liabilities

The College's liabilities are divided between current liabilities payable within one year and noncurrent liabilities that extend beyond one 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 College's leave policies. The current and noncurrent portions of long-term liabilities also includes a \$199,970.22 note payable to BB&T for a Guaranteed Energy Savings Contract. The decrease in current liabilities was primarily caused by a decrease in the current portion of compensated absences of \$37,563.71. The increase in long-term liabilities is due to the net effect of a decrease in notes payable of \$59,991.24 for principal payments on the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Guaranteed Energy Savings Contract, and an increase in the noncurrent portion of compensated absences of \$73,611.09.

<u>Liabilities</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Variance</u>	<u>Variance %</u>
Current	\$ 366,526.55	\$ 409,378.76	\$ (42,852.21)	-10.47%
Long-Term	<u>692,343.72</u>	<u>678,723.87</u>	<u>13,619.85</u>	<u>2.01%</u>
Total Liabilities	<u>\$ 1,058,870.27</u>	<u>\$ 1,088,102.63</u>	<u>\$ (29,232.36)</u>	<u>-2.69%</u>

Net Position

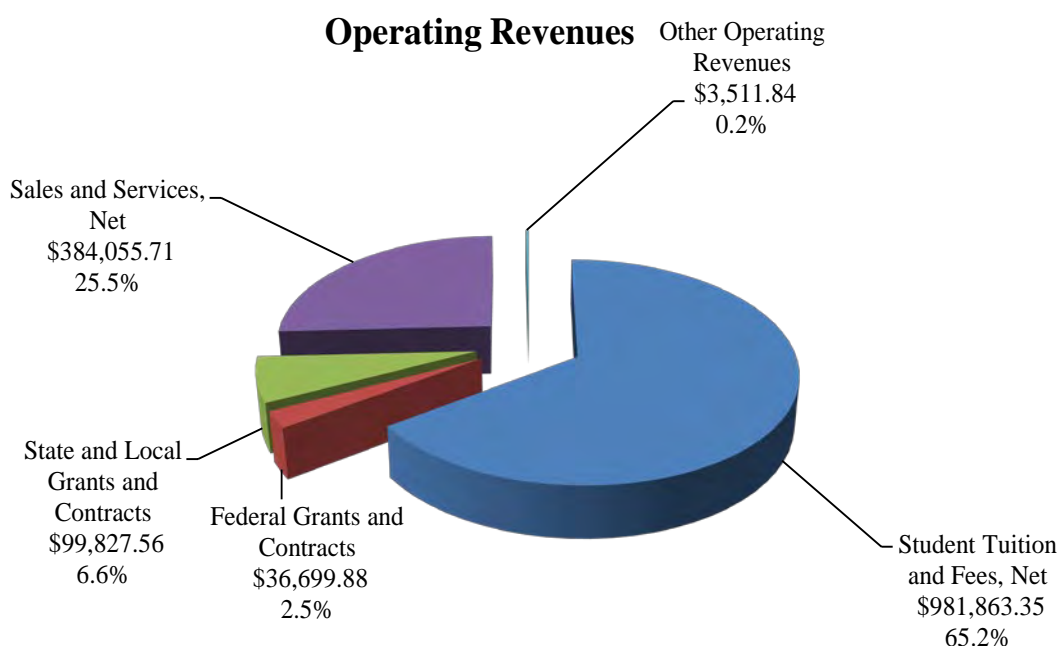
Net position is a measure of the value of all the College's assets after liabilities and depreciation are deducted. The College's net position decreased by \$309,742.92 from the prior year. Unrestricted net position increased by \$164,811.74, primarily due to the reduction of expenses, increases in revenues, and the resulting increase in fund balance for county funds which totaled \$109,005.90. The bookstore also had a total increase of \$38,056.05 in unrestricted net position resulting from a decrease in expenses during the period.

<u>Net Position</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Variance</u>	<u>Variance %</u>
Net Investment in Capital Assets	\$ 14,779,423.36	\$ 15,258,158.46	\$ (478,735.10)	-3.14%
Restricted	509,204.69	505,024.25	4,180.44	0.83%
Unrestricted	<u>396,052.20</u>	<u>231,240.46</u>	<u>164,811.74</u>	<u>71.27%</u>
Total Net Position	<u>\$ 15,684,680.25</u>	<u>\$ 15,994,423.17</u>	<u>\$ (309,742.92)</u>	<u>-1.94%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Revenues

The College's revenues are classified as either operating or nonoperating revenues. Operating revenues include student tuition and fees, certain 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 increase in student tuition and fees came as the result of the net effect of a \$210,896.03 decrease in the scholarship discount, offset by an \$117,785.83 reduction in gross tuition and fee revenue. The decrease in the scholarship discount was caused by a reduction in scholarships disbursed during the period. The majority of the decrease in sales and services was due to a \$15,375.10 decrease in bookstore sales and a decrease in Garland Shirt Factory lease revenues of \$13,046.42. The lease agreement with Garland Shirt Factory ended July 31, 2012.

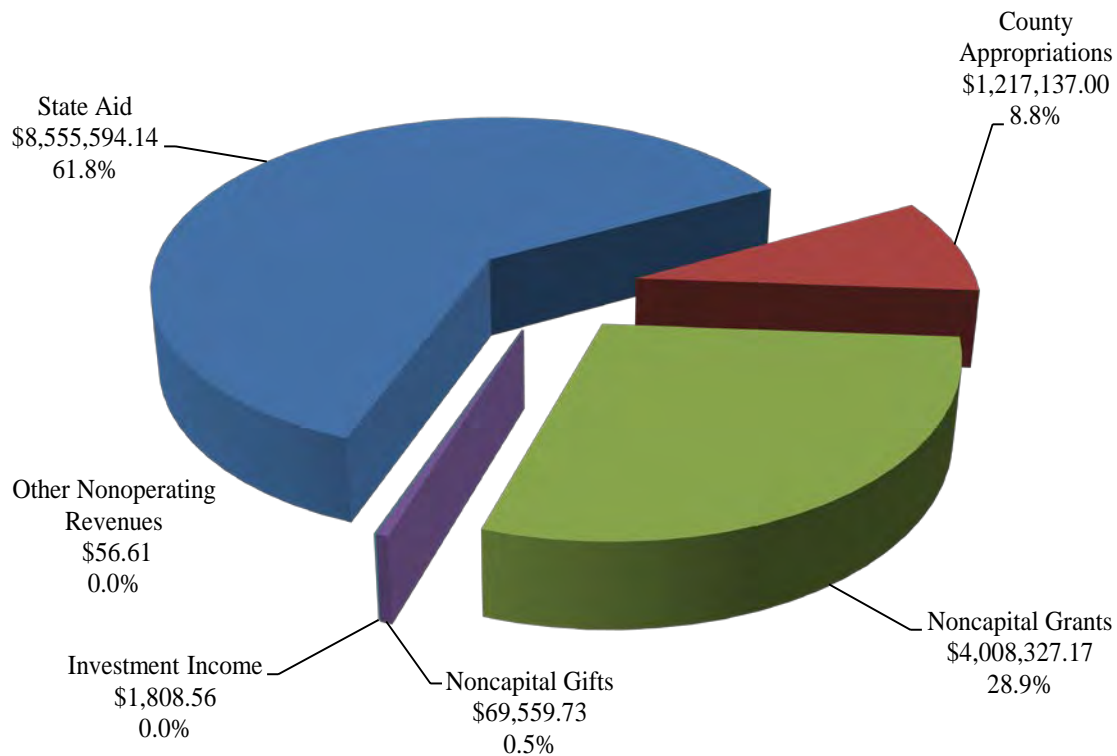


Operating Revenues	6/30/2013	6/30/2012	Variance	Variance %
Student Tuition and Fees, Net	\$ 981,863.35	\$ 888,099.00	\$ 93,764.35	10.56%
Federal Grants and Contracts	36,699.88	36,310.28	389.60	1.07%
State and Local Grants and Contracts	99,827.56	102,488.67	(2,661.11)	-2.60%
Sales and Services, Net	384,055.71	409,823.74	(25,768.03)	-6.29%
Other Operating Revenues	3,511.84	2,547.15	964.69	37.87%
Total Operating Revenues	\$ 1,505,958.34	\$ 1,439,268.84	\$ 66,689.50	4.63%

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 College received \$439,169.82 more in state aid during the 2012-2013 fiscal year. The decrease in noncapital grants is the result of the College receiving \$534,028.91 less in federal Pell grants.

Nonoperating Revenues

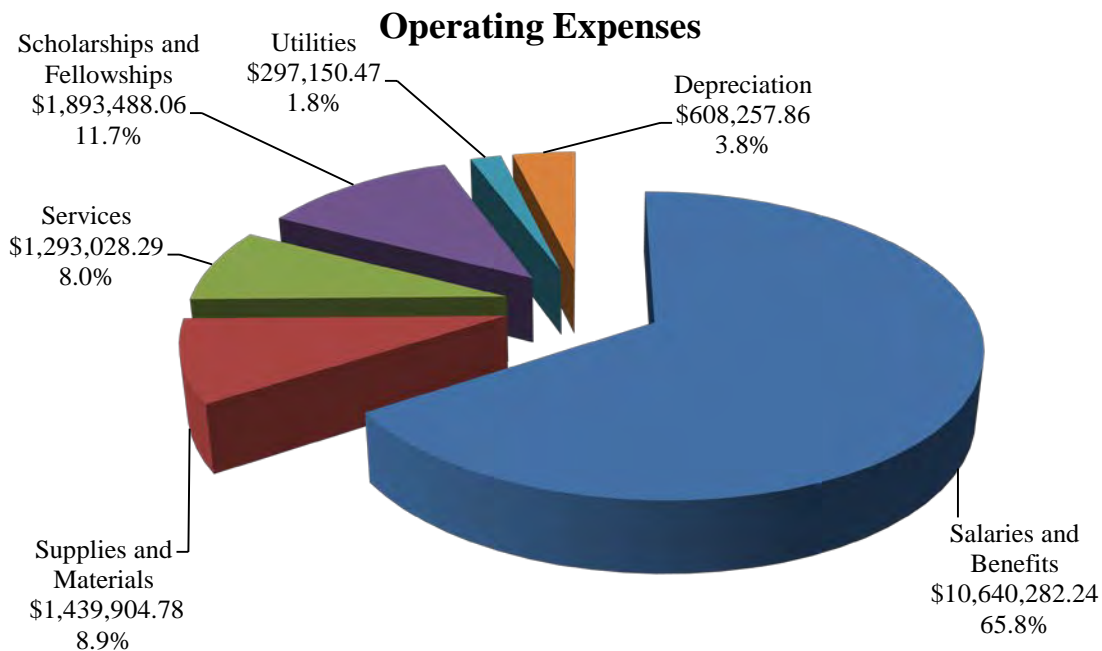


Nonoperating Revenues	6/30/2013	6/30/2012	Variance	Variance %
State Aid	\$ 8,555,594.14	\$ 8,116,424.32	\$ 439,169.82	5.41%
County Appropriations	1,217,137.00	1,152,810.00	64,327.00	5.58%
Noncapital Grants	4,008,327.17	4,528,616.01	(520,288.84)	-11.49%
Noncapital Gifts	69,559.73	79,087.05	(9,527.32)	-12.05%
Investment Income	1,808.56	3,638.45	(1,829.89)	-50.29%
Other Nonoperating Revenues	56.61	463.48	(406.87)	-87.79%
Total Nonoperating Revenues	\$ 13,852,483.21	\$ 13,881,039.31	\$ (28,556.10)	-0.21%

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. Salaries and benefits had an increase during fiscal year 2012-2013 due to College employees receiving a 1.2% pay increase and a one-time bonus of \$500, combined with an increase in the employer portion of fringe benefits (this included health insurance for each employee increasing from \$410.94 to \$432.66 per month and the retirement rate increasing from 7.44% to 8.33%). The decrease in scholarships and fellowships was mainly due to a \$534,028.91 decrease in federal Pell grant awards, offset by a \$195,838.13 decrease in the scholarships discount because of a reduction in financial aid applied to tuition, fees, and bookstore sales. The reduction of financial aid being applied was due to changes in the Title IV federal student financial aid regulations effective for the 2012-2013 academic year.



Operating Expenses	6/30/2013	6/30/2012	Variance	Variance %
Salaries and Benefits	\$ 10,640,282.24	\$ 10,226,513.98	\$ 413,768.26	4.05%
Supplies and Materials	1,439,904.78	1,507,268.78	(67,364.00)	-4.47%
Services	1,293,028.29	1,203,048.41	89,979.88	7.48%
Scholarships and Fellowships	1,893,488.06	2,208,279.53	(314,791.47)	-14.26%
Utilities	297,150.47	302,765.25	(5,614.78)	-1.85%
Depreciation	608,257.86	641,190.73	(32,932.87)	-5.14%
Total Operating Expenses	<u>\$ 16,172,111.70</u>	<u>\$ 16,089,066.68</u>	<u>\$ 83,045.02</u>	0.52%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Nonoperating Expenses

Nonoperating expenses are comprised of \$9,717.06 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>6/30/2013</u>	<u>6/30/2012</u>	<u>Variance</u>	<u>Variance %</u>
State Capital Aid	\$ 458,122.89	\$ 507,897.45	\$ (49,774.56)	-9.80%
County Capital Aid	55,521.40		55,521.40	100.00%
Total Capital Contributions	<u>\$ 513,644.29</u>	<u>\$ 507,897.45</u>	<u>\$ 5,746.84</u>	1.13%

The College received \$49,774.56 less for state capital certification during the 2012-2013 fiscal year. The College received a county capital outlay allocation of \$55,521.40 this fiscal year which resulted in an increase in county capital aid. This allocation of funds was spent mainly on the demolition of six mobile units and the replacement of a building's boiler.

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 reflects a slight decline consistent with the North Carolina Community College System as a whole.
2. North Carolina Community Colleges full-time-equivalent (FTE) budget will be calculated based on the higher of the prior year's enrollment or the average of the prior two years (instead of the prior three years). The North Carolina Community College President's Association is beginning to study other alternative funding formulas that will be taken forward to the North Carolina State Legislature for their review over the next couple of years.
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.
4. Pending approval of the North Carolina State Board of Community Colleges, the Board of Trustees has accepted an offer of \$270,000 from the North Carolina Department of Transportation (DOT) for 1.9 acres in right-of-way along the north boundary of the campus as part of the widening of the Hwy 24 corridor from Fayetteville to Jacksonville. As part of the agreement the DOT assumes the responsibility for the construction of a redesigned entrance and the relocation or repair

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

of utilities in the right-of-way. The College will utilize funds to replace signs, landscaping, and minor utilities that may be affected with the construction.

5. State tuition rates and registration fees continue to increase.
6. Elimination of tuition waivers for up to six hours of credit instruction and one course of noncredit instruction per academic semester for senior citizens age 65 or older who are qualified as legal residents of North Carolina effective fall 2013.

Economic Forecast

Sampson County's economic development strategies are aligned with our existing agriculture and industrial base, our proximity to regional assets and the regional transportation assets that serve us. Sampson County is one of the leading agriculture production counties in the United States, voted as the *#1 Place to Farm in the US* by Farm Futures Magazine in 2008. Our industrial sector is our largest employment group, with metalworking plants employing about a third of our 3,000+ manufacturing jobs. Being less than an hour to the metro areas of Raleigh, Fayetteville, Wilmington and Goldsboro; about an hour to Ft. Bragg, Seymour-Johnson Air Force Base and Camp Lejeune military bases; an hour to the Research Triangle Park as well as other regional assets supports Sampson County's businesses, industries and quality of life. The region's transportation assets of I-40, I-95, I-85, the Port of Wilmington, three commercial airports including Raleigh-Durham International Airport, and CSX Transportation provides excellent logistics and travel assets.

A major direction of Sampson County's economic development is utilizing existing agriculture, forest, and other natural assets to recruit industrial projects that can create attractive employment and tax base. An example is the proposed Chemtex International project which would construct and operate a 20MGY cellulosic ethanol production facility in Sampson County. This plant would employ 65 people at an average annual salary of \$48,415 and make a taxable property investment of \$150M. This facility would utilize non-food "energy grass" crops such as miscanthus, sorghum, switch grass, and arundo donax as well as forest residuals from logging as the feedstock for the production of ethanol biofuel. Other significant projects are being developed that would also utilize existing regional agriculture and forest feedstock. One additional benefit to these types of projects is that they increase the demand for undervalued and utilized cropland and forest residuals.

With existing interstate highways, ports, rail, and air transportation assets Sampson County is working to build a logistics distribution corridor along its 20+ mile portion of I-40. As North Carolina and the Southeastern United States continue to grow in population, business and industry will require higher levels of all durable and non-durable goods. Sampson County is positioned to provide a location for many logistics companies meeting these demands.

On a daily basis Sampson County is working to assist existing as well as recruit new industries and businesses. We are also working to maximize the existing agriculture and forest resources of the region to create jobs, tax base, and increase demand for those resources. Being rural, Sampson County has its challenges but also has the potential to utilize its assets to improve its economic future.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

The county's economy is expected to remain overwhelmingly dependent upon agricultural income. County annual agricultural income approximates \$198 million from crops, the highest in the state. Total farm income is approximately \$1.05 billion annually, comprised of approximately \$198 million in crops and \$836 million in livestock. Approximately 73% of the total economic output of the county and 37% of employment is related to the production of agricultural products.

The long-term economic impact on the regional economy from the pending purchase of Smithfield Foods by Shuanghui International Holdings Ltd. is yet to be determined. A number of industry leaders believe this purchase will provide stability and expanded market access. The importance of this company in providing county and regional employment (Smithfield is the county's largest employer) and in ownership of taxable property and capital assets is undeniable.

The widening of Highway 24 is expected to increase traffic volume and provide greater opportunities for retail and commercial development along the highway corridor around the College. This is expected to encourage retail development and modest growth in the tax base for the City of Clinton and Sampson County.

North Carolina's economic recovery is expected to continue through 2013 and 2014 at a modest pace. For 2013, state establishments are expected to add over 62,000 net additional jobs, representing a 1.5 % increase in employment. Gross State Product (GSP) is forecast to increase by 3% over 2013 levels (UNCC/Babson Capital Economic Forecast). Legislative changes in the State Tax Code are forecasted to reduce gross state tax revenues suggesting further downward pressure on state appropriations. The College is expecting to pursue a Title III Grant to infuse additional funds into the College in 2014.

To widen the number of grants the College is pursuing both state and federal grant opportunities.

Sampson Community College
Statement of Net Position
June 30, 2013

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 860,706.92
Restricted Cash and Cash Equivalents	508,351.29
Short-Term Investments	115,000.00
Receivables, Net (Note 3)	172,329.13
Inventories	179,385.80
Notes Receivable, Net (Note 3)	395.32

Total Current Assets	<u>1,836,168.46</u>
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	32,958.70
Other Investments	95,000.00
Capital Assets - Nondepreciable (Note 4)	170,950.25
Capital Assets - Depreciable, Net (Note 4)	<u>14,608,473.11</u>

Total Noncurrent Assets	<u>14,907,382.06</u>
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Total Assets	<u>16,743,550.52</u>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	179,327.56
Due to Primary Government	1,222.01
Unearned Revenue	40,974.50
Funds Held for Others	27,970.93
Long-Term Liabilities - Current Portion (Note 6)	<u>117,031.55</u>

Total Current Liabilities	<u>366,526.55</u>
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Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	<u>692,343.72</u>
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Total Liabilities	<u>1,058,870.27</u>
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NET POSITION

Net Investment in Capital Assets	14,779,423.36
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Restricted for Expendable:

Scholarships and Fellowships	10,434.28
Restricted for Departmental Uses	103,472.87
Loans	8,134.61
Capital Projects	5,869.03
Instructional Technology Programs	245,488.84
Restricted for Specific Programs	91,753.95
Other	44,051.11

Unrestricted	<u>396,052.20</u>
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Total Net Position	<u>\$ 15,684,680.25</u>
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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 Position
For the Fiscal Year Ended June 30, 2013***

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 7)	\$ 981,863.35
Federal Grants and Contracts	36,699.88
State and Local Grants and Contracts	99,827.56
Sales and Services, Net (Note 7)	384,055.71
Other Operating Revenues	3,511.84

Total Operating Revenues	<u>1,505,958.34</u>
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EXPENSES

Operating Expenses:

Salaries and Benefits	10,640,282.24
Supplies and Materials	1,439,904.78
Services	1,293,028.29
Scholarships and Fellowships	1,893,488.06
Utilities	297,150.47
Depreciation	608,257.86

Total Operating Expenses	<u>16,172,111.70</u>
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Operating Loss	<u>(14,666,153.36)</u>
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NONOPERATING REVENUES (EXPENSES)

State Aid	8,555,594.14
County Appropriations	1,217,137.00
Noncapital Grants - Student Financial Aid	3,248,855.48
Noncapital Grants	759,471.69
Noncapital Gifts	69,559.73
Investment Income	1,808.56
Interest on Debt	(9,717.06)
Other Nonoperating Revenues	56.61

Net Nonoperating Revenues	<u>13,842,766.15</u>
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Loss Before Other Revenues	(823,387.21)
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State Capital Aid	458,122.89
County Capital Aid	55,521.40

Decrease in Net Position	(309,742.92)
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NET POSITION

Net Position, July 1, 2012	<u>15,994,423.17</u>
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Net Position, June 30, 2013	<u><u>\$ 15,684,680.25</u></u>
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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, 2013

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 1,460,779.12
Payments to Employees and Fringe Benefits	(10,632,924.93)
Payments to Vendors and Suppliers	(3,016,125.77)
Payments for Scholarships and Fellowships	(1,893,488.06)
Collection of Loans to Students	2,110.87
Other Payments	(4,667.90)
	<hr/>
Net Cash Used by Operating Activities	(14,084,316.67)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	8,555,594.14
County Appropriations	1,217,137.00
Noncapital Grants - Student Financial Aid	3,248,855.48
Noncapital Grants Received	758,404.35
Noncapital Gifts Received	69,559.73
Principal Paid on Noncapital Debt	(59,991.24)
Interest Paid on Noncapital Debt	(9,717.06)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	13,779,842.40

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

State Capital Aid Received	458,122.89
County Capital Aid Received	55,521.40
Acquisition of Capital Assets	(129,522.76)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	384,121.53

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	232,095.25
Investment Income	1,887.72
Purchase of Investments and Related Fees	(115,000.00)
	<hr/>
Net Cash Provided by Investing Activities	118,982.97

Net Increase in Cash and Cash Equivalents	198,630.23
Cash and Cash Equivalents, July 1, 2012	1,203,386.68
	<hr/>
Cash and Cash Equivalents, June 30, 2013	\$ 1,402,016.91

Sampson Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (14,666,153.36)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	608,257.86
Miscellaneous Nonoperating Income	56.61
Changes in Assets and Liabilities:	
Receivables, Net	(59,284.33)
Inventories	(63.20)
Notes Receivable, Net	2,110.87
Accounts Payable and Accrued Liabilities	(14,629.82)
Due to Primary Government	(39.28)
Unearned Revenue	14,105.11
Funds Held for Others	(4,724.51)
Compensated Absences	36,047.38
Net Cash Used by Operating Activities	<u><u>\$ (14,084,316.67)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 860,706.92
Restricted Cash and Cash Equivalents	508,351.29
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>32,958.70</u>
Total Cash and Cash Equivalents - June 30, 2013	<u><u>\$ 1,402,016.91</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Increase in Receivables Related to Nonoperating Income	1,067.34
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The accompanying notes to the financial statements are an integral part of this statement.

Samspon Community College Foundation, Inc.
Statement of Financial Position
June 30, 2013

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	57,950
Board Designated Investments		307,682
Contributions Receivable		6,008
Property Held for Sale		18,500

Assets Restricted for Investment in Endowment

Cash and Cash Equivalents		132,666
Investments		1,123,100
Accrued Interest Receivable		12,722

Total Assets		<u>1,658,628</u>
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NET ASSETS

Unrestricted		80,877
Unrestricted, Board Designated		<u>317,519</u>

Total Unrestricted		398,396
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Temporarily Restricted		484,067
Permanently Restricted		<u>776,165</u>

Total Net Assets	\$	<u><u>1,658,628</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, 2013

Exhibit B-2

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CHANGES IN NET ASSETS				
Revenues, Gains, and Other Support				
Contributions	\$ 148,249	\$ 79,976	\$ 1,500	\$ 229,725
Special Events	25,600	5,000		30,600
Construction Technology Program	21,174			21,174
Interest and Dividends	10,927	19,535	212	30,674
Investment Gains	39	5,103	237	5,379
Reclassification due to Donor Imposed Restrictions	10,481		(10,481)	
Satisfaction of Restrictions				
Temporarily Restricted to Unrestricted	75,893	(75,893)		
Total Revenues, Gains, and Other Support	292,363	33,721	(8,532)	317,552
Expenses:				
Costs of Direct Benefits to Donors	11,261			11,261
Program Expenditures	96,117			96,117
Fundraising	6,662			6,662
Administrative	19,044			19,044
Total Expenses	133,084			133,084
Change in Net Assets	159,279	33,721	(8,532)	184,468
Reclassification of Net Assets	9,837	(9,837)		
Net Assets at Beginning of Year (as restated)	229,279	460,184	784,697	1,474,160
Net Assets at End of Year	\$ 398,395	\$ 484,068	\$ 776,165	\$ 1,658,628

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, 2013**

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. (Foundation) is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of the Chairman of the Board of Trustees of Sampson Community College or his/her designee, the President of the College, and the College's 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)

The Sampson Community College Foundation, Inc. is a private not-for-profit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Codification. 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, 2013, the Foundation distributed \$59,559.73 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.

- 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.

- 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the first-in, first-out method. Merchandise for resale is valued at the lower of cost or market using the first-in, first-out method.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction.

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

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 50 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Position - The College's net position is classified as follows:

Net Investment in Capital Assets - This represents the College's total investment in capital assets.

Restricted Net Position - Expendable - Expendable restricted net position includes resources for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position - Unrestricted net position includes 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 Position. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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 Position. 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 appropriations and county capital appropriations 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 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 Position as cash and cash equivalents includes cash on hand totaling \$655 and deposits in private financial institutions with a carrying value of \$1,401,361.91. In addition, the amount shown as investments includes \$210,000 of certificates of deposit with private

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

financial institutions. At June 30, 2013, the College's total deposits with private institutions had a carrying value of \$1,611,361.91 and a bank balance of \$1,712,740.36.

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, 2013, 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 (STIF); obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings; 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 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 of custodian. As noted above, at June 30, 2013, the College's investments consisted of \$210,000 in certificates of deposit.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

The following is an analysis of investments by type:

	Fair Value
Investment Type	
Certificates of Deposit	\$ 197,469.00
Money Market Funds	66,193.00
Mutual Funds	<u>1,167,120.00</u>
Total	<u><u>\$ 1,430,782.00</u></u>

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2013, is as follows:

Cash on Hand	\$ 655.00
Carrying Amount of Deposits with Private Financial Institutions	1,401,361.91
Investments in Certificates of Deposit	<u>210,000.00</u>
Total Deposits and Investments	<u><u>\$ 1,612,016.91</u></u>
Current:	
Cash and Cash Equivalents	\$ 860,706.92
Restricted Cash and Cash Equivalents	508,351.29
Short-Term Investments	115,000.00
Noncurrent:	
Restricted Cash and Cash Equivalents	32,958.70
Restricted Investments	<u>95,000.00</u>
Total Deposits and Investments	<u><u>\$ 1,612,016.91</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 4,357.93	\$ 1,820.23	\$ 2,537.70
Student Sponsors	48,331.80		48,331.80
Accounts	100,672.61		100,672.61
Intergovernmental	3,867.59		3,867.59
Investment Earnings	29.60		29.60
Other	16,889.83		16,889.83
Total Current Receivables	<u>\$ 174,149.36</u>	<u>\$ 1,820.23</u>	<u>\$ 172,329.13</u>
Notes Receivable - Current:			
Institutional Student Loan Programs	<u>\$ 6,209.04</u>	<u>\$ 5,813.72</u>	<u>\$ 395.32</u>

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2013, is presented as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital Assets, Nondepreciable:				
Land	\$ 80,950.25	\$ 0.00	\$ 0.00	\$ 80,950.25
Construction in Progress	90,000.00			90,000.00
Total Capital Assets, Nondepreciable	<u>170,950.25</u>			<u>170,950.25</u>
Capital Assets, Depreciable:				
Buildings	17,338,450.70		70,268.11	17,268,182.59
Machinery and Equipment	4,501,405.71	129,522.76	215,510.56	4,415,417.91
General Infrastructure	943,081.81			943,081.81
Total Capital Assets, Depreciable	<u>22,782,938.22</u>	<u>129,522.76</u>	<u>285,778.67</u>	<u>22,626,682.31</u>
Less Accumulated Depreciation for:				
Buildings	5,619,247.29	357,365.89	70,268.11	5,906,345.07
Machinery and Equipment	1,776,624.22	232,893.05	215,510.56	1,794,006.71
General Infrastructure	299,858.50	17,998.92		317,857.42
Total Accumulated Depreciation	<u>7,695,730.01</u>	<u>608,257.86</u>	<u>285,778.67</u>	<u>8,018,209.20</u>
Total Capital Assets, Depreciable, Net	<u>15,087,208.21</u>	<u>(478,735.10)</u>		<u>14,608,473.11</u>
Capital Assets, Net	<u>\$ 15,258,158.46</u>	<u>\$ (478,735.10)</u>	<u>\$ 0.00</u>	<u>\$ 14,779,423.36</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2013, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 37,995.29
Accrued Payroll	141,332.27
Total	\$ 179,327.56

NOTE 6 - LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities - A summary of changes in the long-term liabilities for the year ended June 30, 2013, is presented as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Notes Payable	\$ 259,961.46	\$ 0.00	\$ 59,991.24	\$ 199,970.22	\$ 59,991.24
Compensated Absences	573,357.67	385,385.78	349,338.40	609,405.05	57,040.31
Total Long-Term Liabilities	\$ 833,319.13	\$ 385,385.78	\$ 409,329.64	\$ 809,375.27	\$ 117,031.55

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, 2013	Principal Outstanding June 30, 2013
Guaranteed Energy Savings Contract	BB&T	4.18%	10/13/2016	\$ 689,898.68	\$ 489,928.46	\$ 199,970.22

The annual requirements to pay principal and interest on notes payable at June 30, 2013, are as follows:

Fiscal Year	Annual Requirements	
	Notes Payable	
	Principal	Interest
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	\$ 199,970.22	\$ 14,280.08

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:				
Student Tuition and Fees	\$ 2,133,281.19	\$ 1,151,327.34	\$ 90.50	\$ 981,863.35
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	812,496.15	517,786.21	(259.93)	294,969.87
Other	89,085.84			89,085.84
Total Sales and Services	\$ 901,581.99	\$ 517,786.21	\$ (259.93)	\$ 384,055.71

NOTE 8 - 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	\$ 6,357,360.35	\$ 516,029.43	\$ 461,537.60	\$ 1,063.62	\$ 11,741.97	\$ 0.00	\$ 7,347,732.97
Academic Support	1,040,524.18	38,244.54	26,548.41				1,105,317.13
Student Services	956,013.43	37,769.48	117,403.70	39,288.16			1,150,474.77
Institutional Support	1,861,361.93	81,041.12	347,231.02				2,289,634.07
Operations and Maintenance of Plant	339,786.00	94,108.16	294,963.37		285,408.50		1,014,266.03
Student Financial Aid			6,333.57	1,843,907.72			1,850,241.29
Auxiliary Enterprises	85,236.35	672,712.05	39,010.62	9,228.56			806,187.58
Depreciation						608,257.86	608,257.86
Total Operating Expenses	\$ 10,640,282.24	\$ 1,439,904.78	\$ 1,293,028.29	\$ 1,893,488.06	\$ 297,150.47	\$ 608,257.86	\$ 16,172,111.70

NOTE 9 - 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 (TSERS) 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 a 14-member Board of Trustees, with the State Treasurer serving as Chairman of the Board.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Benefit and contribution provisions for the TSERS 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, 2013, these rates were set at 8.33% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$8,218,528.17, of which \$7,339,373.78 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$611,369.84 and \$440,362.43, respectively.

Required employer contribution rates for the years ended June 30, 2012, and 2011, were 7.44% and 4.93%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2013, 2012, and 2011, which were \$611,369.84, \$535,274.56, and \$359,866.29, respectively.

The TSERS 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 \$9,680 for the year ended June 30, 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 \$72,011.24 for the year ended June 30, 2013.

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 of Annuity Life Insurance Company (VALIC). No costs are incurred by the College. The voluntary contributions by employees amounted to \$40,046.68 for the year ended June 30, 2013.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

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

The Plan's benefit and contribution provisions are established by Chapter 135, Article 3B, 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 established by the General Assembly.

For the current fiscal year the College contributed 5.30% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2012, and 2011, were 5.0% and 4.9%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2013, 2012, and 2011, which were \$388,986.81, \$359,727.52, and \$357,676.44, 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, 2013, the College made a statutory contribution of .44% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2012, and 2011, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2013, 2012, and 2011, which were \$32,293.24, \$37,411.66, and \$37,957.50, 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*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 - 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

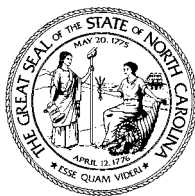
The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

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

STATE OF NORTH CAROLINA
Office of the State Auditor

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

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

Board of Trustees
Sampson Community College
Clinton, North Carolina

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 8, 2013. Our report includes a reference to other auditors who audited the financial statements of Sampson Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of Sampson Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Sampson Community College Foundation, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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. A *significant deficiency* is a

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
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deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

October 8, 2013

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

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State of North Carolina
2 South Salisbury Street
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For additional information contact:

Bill Holmes
Director of External Affairs