

STATE OF NORTH CAROLINA

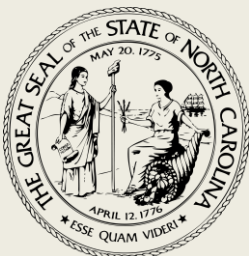
OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA



SAMPSON COMMUNITY COLLEGE

CLINTON, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2014

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



NC OSA
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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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, 2014, 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



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

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS	
COLLEGE EXHIBITS	
A-1 Statement of Net Position.....	12
A-2 Statement of Revenues, Expenses, and Changes in Net Position.....	14
A-3 Statement of Cash Flows.....	15
COMPONENT UNIT EXHIBITS	
B-1 Statement of Financial Position.....	17
B-2 Statement of Activities	18
Notes to the Financial Statements.....	19
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	32
ORDERING INFORMATION	34

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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, 2014, 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 the 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 the Sampson Community College Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

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.

Opinion

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, 2014, 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 February 23, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

February 23, 2015



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.

Statement of Net Position

The following table is prepared from the College's Statement of Net Position and summarizes and compares the College's assets on June 30, 2014 and June 30, 2013.

	6/30/2014	6/30/2013	Variance	Variance %
Assets:				
Current Assets	\$ 2,096,292.04	\$ 1,836,168.46	\$ 260,123.58	14.17%
Noncurrent Assets:				
Capital Assets, Net	14,115,347.04	14,779,423.36	-664,076.32	-4.49%
Other	128,443.86	127,958.70	485.16	0.38%
Total Assets	<u>\$ 16,340,082.94</u>	<u>\$ 16,743,551.00</u>	<u>\$ -403,468.06</u>	-2.41%
Total Deferred Outflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	0.00%

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>6/30/2014</u>	<u>6/30/2013</u>	<u>Variance</u>	<u>Variance %</u>
Cash and Cash Equivalents	\$ 1,083,916.99	\$ 860,706.92	\$ 223,210.07	25.93%
Restricted Cash and Cash Equivalents	451,151.54	508,351.29	(57,199.75)	-11.25%
Short-Term Investments	115,128.52	115,000.00	128.52	0.11%
Receivables, Net	199,977.95	172,329.13	27,648.82	16.04%
Inventories	245,721.72	179,385.80	66,335.92	36.98%
Notes Receivable, Net	395.32	395.32		0.00%
Total Current Assets	\$ 2,096,292.04	\$ 1,836,168.46	\$ 260,123.58	14.17%

The College's cash increased, in part, due to the receipt of \$270,000 from the North Carolina Department of Transportation (NCDOT) for acquisition of the right of way to a portion of the College's land due to the widening of NC Highway 24. These proceeds will be utilized to replace signage and infrastructure removed by the NCDOT. The College's current restricted cash decreased, in part, due to technology cash decreasing \$36,312.20 as a result of current-year operations.

The majority of the receivables increase was a result of an increase in bookstore credit memos of \$57,635.76 from the bookstore returning books to vendors in May 2014 and a decrease in sponsorship receivables for the Ammonia Refrigeration Program of \$23,180. The College discontinued the Ammonia Refrigeration Program during the year.

The College ordered fall semester books and supplies early to ensure they would be delivered in a timely manner to be available for students to purchase at registration resulting in an increase of \$65,147.57 in bookstore inventory.

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

<u>Noncurrent Assets</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Variance</u>	<u>Variance %</u>
Restricted Cash and Cash Equivalents	\$ 33,443.86	\$ 32,958.70	\$ 485.16	1.47%
Other Investments	95,000.00	95,000.00		0.00%
Capital Assets, Net	14,115,347.04	14,779,423.36	(664,076.32)	-4.49%
Total Noncurrent Assets	\$ 14,243,790.90	\$ 14,907,382.06	\$ (663,591.16)	-4.45%

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 \$664,076.32. The college had a decrease in construction in progress due to capital asset impairment \$90,000. The impairment was caused by a permanent construction stoppage on the Early Childhood Development Building project due to lack of funding. The College had \$168,146.68 of additions to capital assets, \$230,077.60 of deletions of capital assets due to surplus and cannibalization, and depreciation expense for the fiscal year was \$633,169.87.

The College made no adjustment to their land value for the right of way acquired by NCDOT. The parcel in question is approximately 1.79 acres. The total value of the College's land is \$80,000, and it was determined since the prorated value of the right of way was so trivial, no adjustment would be made.

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 include a \$139,978.98 note payable to BB&T for a Guaranteed Energy Savings Contract. The increase in current liabilities was caused by an increase in the current portion of compensated absences of \$30,789.99, an increase in accrued payroll of \$17,196.45, and an increase in the amount due to vendors of \$20,587.91. The decrease in long-term liabilities is due to a decrease in notes payable of \$59,991.24 for principal payments on the Guaranteed Energy Savings Contract and a decrease in the noncurrent portion of compensated absences of \$56,605.03.

<u>Liabilities</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Variance</u>	<u>Variance %</u>
Current	\$ 437,399.92	\$ 366,526.55	\$ 70,873.37	19.34%
Long-Term	575,747.45	692,343.72	(116,596.27)	-16.84%
Total Liabilities	<u>\$ 1,013,147.37</u>	<u>\$ 1,058,870.27</u>	<u>\$ (45,722.90)</u>	-4.32%

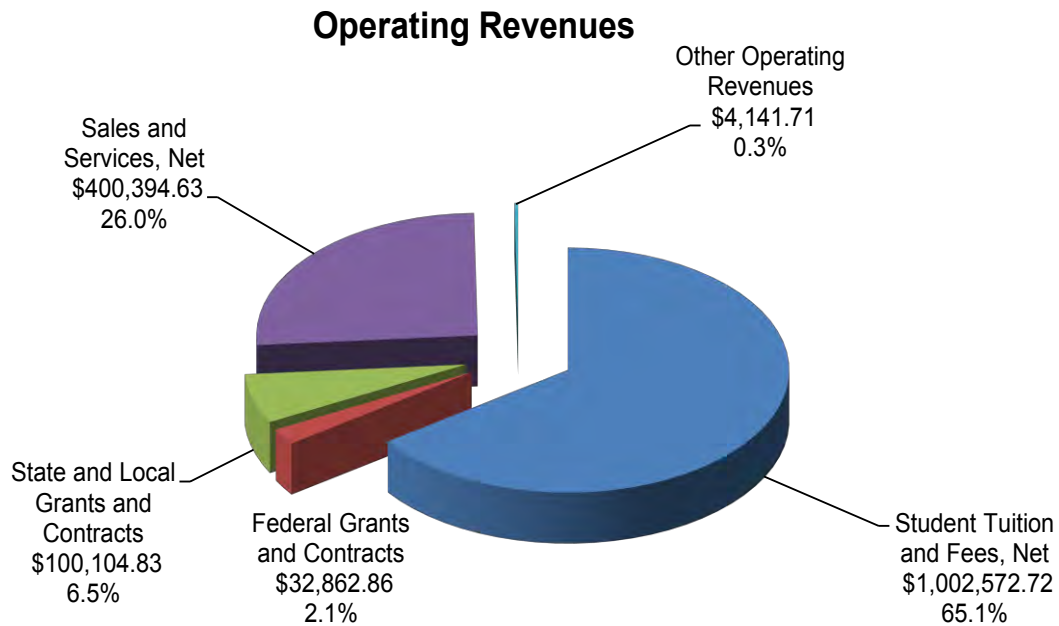
Net Position

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 has decreased by \$357,744.68 since the prior year. Unrestricted net position increased by \$360,032.02, primarily due to the College receiving \$270,000 from the NCDOT for the purchase of the right of way for the widening of NC Highway 24.

<u>Net Position</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Variance</u>	<u>Variance %</u>
Investment in Capital Assets	\$ 14,115,347.04	\$ 14,779,423.36	\$ (664,076.32)	-4.49%
Restricted	455,504.31	509,204.69	(53,700.38)	-10.55%
Unrestricted	756,084.22	396,052.20	360,032.02	90.91%
Total Net Position	<u>\$ 15,326,935.57</u>	<u>\$ 15,684,680.25</u>	<u>\$ (357,744.68)</u>	-2.28%

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 a result of an increase in the amount of occupational tuition collected of \$29,744.51. This increase was due to occupational full time equivalents increasing from 317 to 324 as well as the occupational extension registration fees for 2013-2014 courses was increased by \$5 per course. The majority of the increase in sales and services was due to a \$24,449.37 increase in bookstore sales.

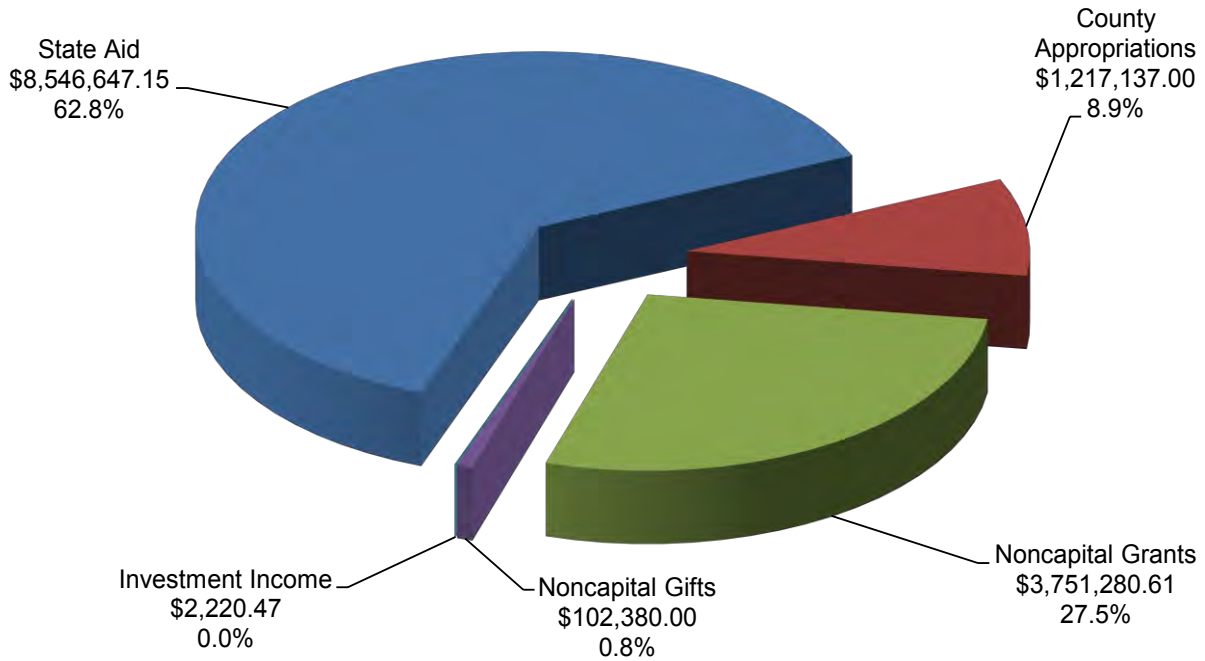


<u>Operating Revenues</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Variance</u>	<u>Variance %</u>
Student Tuition and Fees, Net	\$ 1,002,572.72	\$ 981,863.35	\$ 20,709.37	2.11%
Federal Grants and Contracts	32,862.86	36,699.88	(3,837.02)	-10.46%
State and Local Grants and Contracts	100,104.83	99,827.56	277.27	0.28%
Sales and Services, Net	400,394.63	384,055.71	16,338.92	4.25%
Other Operating Revenues	4,141.71	3,511.84	629.87	17.94%
Total Operating Revenues	\$ 1,540,076.75	\$ 1,505,958.34	\$ 34,118.41	2.27%

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 \$8,946.99 less in state aid during the 2013-2014 fiscal year. The majority of the decrease in noncapital grants is the

result of the College receiving \$91,624.78 less in federal Pell grants and \$84,334.76 less in federal grants from the State. The College received a gift of \$20,000.00 for the Ammonia Refrigeration program which increased noncapital gifts.

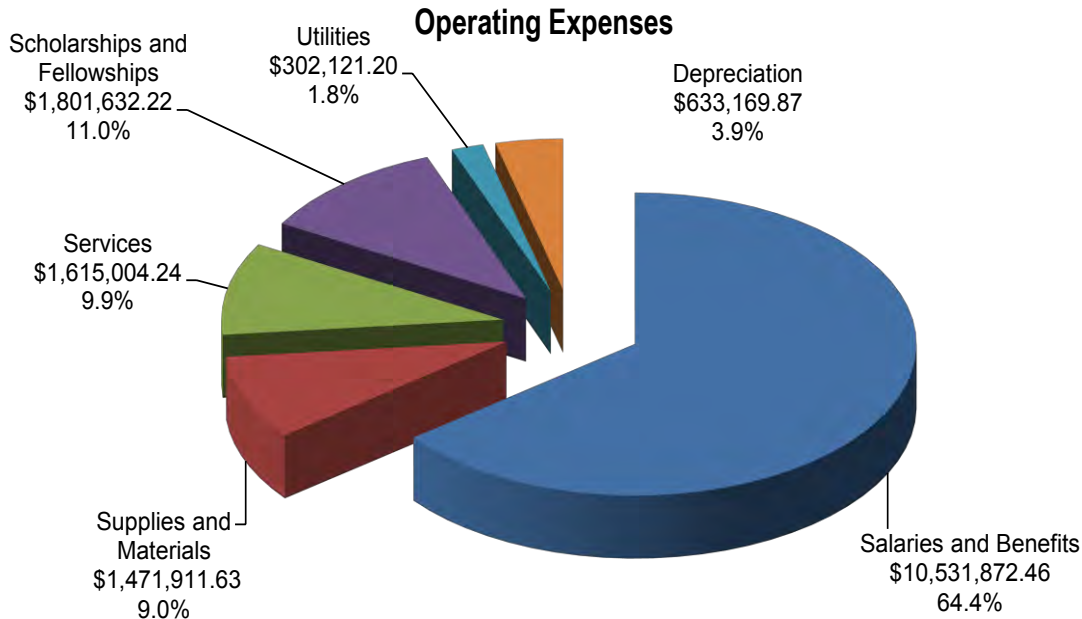
Nonoperating Revenues



Nonoperating Revenues	6/30/2014	6/30/2013	Variance	Variance %
State Aid	\$ 8,546,647.15	\$ 8,555,594.14	\$ (8,946.99)	-0.10%
County Appropriations	1,217,137.00	1,217,137.00		0.00%
Noncapital Grants	3,751,280.61	4,008,327.17	(257,046.56)	-6.41%
Noncapital Gifts	102,380.00	69,559.73	32,820.27	47.18%
Investment Income	2,220.47	1,808.56	411.91	22.78%
Other Nonoperating Revenues		56.61	56.61	-100.00%
Total Nonoperating Revenues	\$ 13,619,665.23	\$ 13,852,483.21	\$ (232,704.76)	-1.68%

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 increase in services was due to an increase in county repairs to facilities of \$236,801.27.



<u>Operating Expenses</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>Variance</u>	<u>Variance %</u>
Salaries and Benefits	\$ 10,531,872.46	\$ 10,640,282.24	\$ (108,409.78)	-1.02%
Supplies and Materials	1,471,911.63	1,439,904.78	32,006.85	2.22%
Services	1,615,004.24	1,293,028.29	321,975.95	24.90%
Scholarships and Fellowships	1,801,632.22	1,893,488.06	(91,855.84)	-4.85%
Utilities	302,121.20	297,150.47	4,970.73	1.67%
Depreciation	633,169.87	608,257.86	24,912.01	4.10%
Total Operating Expenses	\$ 16,355,711.62	\$ 16,172,111.70	\$ 183,599.92	1.14%

Nonoperating Expenses

Nonoperating expenses are comprised of \$7,209.42 from the interest expense on the BB&T Guaranteed Energy Savings Contract and \$109,053.13 from the loss on disposal of machinery.

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>6/30/2014</u>	<u>6/30/2013</u>	<u>Variance</u>	<u>Variance %</u>
State Capital Aid	\$ 409,862.41	\$ 458,122.89	\$ (48,260.48)	-10.53%
County Capital Aid	292,322.67	55,521.40	236,801.27	426.50%
Capital Grants	72,302.43		72,302.43	100.00%
Capital Asset Impairment Loss	(90,000.00)		(90,000.00)	100.00%
Extraordinary Items	270,000.00		270,000.00	100.00%
Total Capital Contributions	<u>\$ 954,487.51</u>	<u>\$ 513,644.29</u>	<u>\$ 440,843.22</u>	85.83%

The College received \$48,260.48 less for state capital certification and \$236,801.27 more for county capital outlay during the 2013-2014 fiscal year. The College also received \$72,302.43 in federal capital grants from the State and \$270,000 in extraordinary items from NCDOT for the acquisition of the right of way for NC Highway 24. This extraordinary item is both unusual in nature and infrequent in occurrence. The College also suffered a capital asset impairment loss of \$90,000 from the permanent construction stoppage on the Early Childhood Development Building project due to the lack of funding.

For fiscal year 2013-2014 the College's total revenues were \$16,204,229.49 and total expenses were \$16,561,974.17.

For fiscal year 2012-2013 the College's total revenues were \$15,872,085.84 and total expenses were \$16,181,828.76.

Significant Effects on Financial Position

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

- The College's decline in curriculum enrollment has continued with FTE losses exceeding 5% or more annually. (Similar enrollment decline has been experienced by a number of institutions serving southeastern counties with many experiencing more significant losses in absolute and relative terms). While enrollment levels appear to be stable or increasing in non-credit programs, this continued loss of curriculum enrollment has created significant downward pressure on state formula funding and the ability of the College to maintain current staffing.
- Changes in Title IV federal student financial aid regulations which were effective for 2012-2013 continue to impose limitations on the enrollment of Pell eligible students. The exhaustion of financial eligibility by many students who have failed to maintain satisfactory progress or exceeded the program time limits suggests further enrollment decline can be anticipated.

- The College continues to absorb increases in operating costs assignable to local funds (legal, personnel, operational) which are not sustainable without accompanying increases in local funding.
- While the County Commissioners have addressed the failure of roofs and mold infestation in two buildings, deferred maintenance costs continue to increase.

Economic Forecast

The economic activity of the College's service area continues to reflect the general economic activity of North Carolina. The county's unemployment rate peaked in 2010 at 9.6% coinciding with North Carolina's peak rate of 11.4% in January and February of the same year and has continued to show continuing modest improvement with the county unemployment rate at 5.9% as of June 2014. North Carolina's industrial employment base suffered more significant losses during the recession than most other states.

The State's recovery has been localized to metropolitan areas. Employment levels have surpassed pre-recession levels in Charlotte and Raleigh-Durham. Rural areas, such as Sampson County, continue to lag behind. Labor force data provided by the U. S. Bureau of Labor Statistics for urban areas surrounding the county support the regionalization of the economic recovery. The U.S. Bureau of Labor Statistics for Fayetteville and Goldsboro reflected modest growth in civilian labor force employment for the period February through July 2014. The Wilmington labor market, however, reflected non-farm growth in employment approximating a 3% increase on a month-to-month basis.

The Governor's budget proposal to the North Carolina General Assembly noted that private service-providing industries accounted for 95% of the new net jobs created since the 2010 unemployment peak. Sampson County's industrial base has not expanded during this period. While some industrial development is expected (e.g. Chemtex with an estimated 65 jobs and Enviva with an estimated 79 jobs), significant losses or increases in non-agricultural employment are not anticipated. The county's unemployment is expected to continue to make modest improvement following overall state trends but to continue to lag behind urban areas, even those closest to Clinton, the county seat. The current industrial profile and the anticipated lack of industrial growth suggest no significant improvements in current wage rates should be expected.

While the county's agricultural economy ranks second among all state counties with over \$1.2 billion in annual sales, the number of county farms continues to decline. Census data (2010) indicated that Sampson County had 1,067 farms in 2010, down 11% from the high of 1,203 listed in 2007. Total farmland during this period also declined from 321,454 acres under cultivation falling to 291,635 acres. Significant changes in acres under cultivation are not anticipated.

Over 80% of county farm income is derived from the production of hogs and poultry. Because of this heavy dependence upon agricultural income, challenges to livestock production pose significant threats to farm income and the viability of equipment and service companies that directly support this industry. The economic importance of the animal industry cannot be overstated. Some economists estimate that the primary production of hog farms contributes up to \$10 billion to \$15 billion worth of business to the overall state economy. The current state-imposed limitations on the development of new hog farms suggest that the farm-level production of animals may have reached "mature" levels with no anticipation of significant increases in production levels. Biologic threats (PED) to pigs

undermined production during 2013-2014 resulting in lost processing production and reduced payments to contract growers. The possible reemergence of PED during the winter months could create a further drag on animal production income. Any significant economic impact on the regional economy from the purchase of Smithfield foods by Shuanghui International Holdings Ltd is not evident; however, corporate relocations or consolidation could result in the loss of corporate employment from the service area. To date, no serious weather events have severely impacted anticipated crop production. With the previous qualifications noted, agriculture production and income is expected to remain near current levels for the next year.

After an extended period of negotiation, the Sampson County Board of Commissioners levied an increase of 4.5 cents/\$100 valuation for property taxes to meet the debt service obligations that will not be retired for almost two more decades. The value of the county's tax base is not expected to grow at a rate to meet additional demands for taxes; therefore, further ad valorem increases are anticipated. This extended period of debt service suggests any capital additions to the campus must be paid from state funds and/or private funds.



FINANCIAL STATEMENTS

Sampson Community College
Statement of Net Position
June 30, 2014

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,083,916.99
Restricted Cash and Cash Equivalents	451,151.54
Short-Term Investments	115,128.52
Receivables, Net (Note 3)	199,977.95
Inventories	245,721.72
Notes Receivable, Net (Note 3)	395.32
	<hr/>
Total Current Assets	2,096,292.04

Noncurrent Assets:

Restricted Cash and Cash Equivalents	33,443.86
Other Investments	95,000.00
Capital Assets - Nondepreciable (Note 4)	80,950.25
Capital Assets - Depreciable, Net (Note 4)	14,034,396.79
	<hr/>
Total Noncurrent Assets	14,243,790.90
	<hr/>
Total Assets	16,340,082.94

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources	<hr/> 0.00
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	217,111.92
Due to Primary Government	1,365.04
Unearned Revenue	42,600.14
Funds Held for Others	28,501.28
Long-Term Liabilities - Current Portion (Note 6)	147,821.54
	<hr/>
Total Current Liabilities	437,399.92

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	<hr/> 575,747.45
	<hr/>
Total Noncurrent Liabilities	575,747.45
	<hr/>
Total Liabilities	1,013,147.37

DEFERRED INFLOWS OF RESOURCES

Total Deferred Inflows of Resources	<hr/> 0.00
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Sampson Community College
Statement of Net Position
June 30, 2014

Exhibit A-1
Page 2 of 2

NET POSITION

Investment in Capital Assets	14,115,347.04
Restricted for Expendable:	
Scholarships and Fellowships	4,622.20
Restricted for Departmental Uses	99,169.63
Loans	8,134.61
Capital Projects	5,891.54
Instructional Technology Programs	208,412.56
Restricted for Specific Programs	83,223.76
Other	46,050.01
Unrestricted	<u>756,084.22</u>
Total Net Position	<u><u>\$ 15,326,935.57</u></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 Position
For the Fiscal Year Ended June 30, 2014

Exhibit A-2

REVENUES

Operating Revenues:

Student Tuition and Fees, Net (Note 7)	\$ 1,002,572.72
Federal Grants and Contracts	32,862.86
State and Local Grants and Contracts	100,104.83
Sales and Services, Net (Note 7)	400,394.63
Other Operating Revenues	4,141.71

Total Operating Revenues	1,540,076.75
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EXPENSES

Operating Expenses:

Salaries and Benefits	10,531,872.46
Supplies and Materials	1,471,911.63
Services	1,615,004.24
Scholarships and Fellowships	1,801,632.22
Utilities	302,121.20
Depreciation	633,169.87

Total Operating Expenses	16,355,711.62
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Operating Loss	(14,815,634.87)
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NONOPERATING REVENUES (EXPENSES)

State Aid	8,546,647.15
County Appropriations	1,217,137.00
Noncapital Grants - Student Financial Aid	3,146,159.96
Noncapital Grants	605,120.65
Noncapital Gifts	102,380.00
Investment Income	2,220.47
Interest on Debt	(7,209.42)
Other Nonoperating Expenses	(109,053.13)

Net Nonoperating Revenues	13,503,402.68
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Loss Before Other Revenues and Losses	(1,312,232.19)
---------------------------------------	----------------

State Capital Aid	409,862.41
County Capital Aid	292,322.67
Capital Grants	72,302.43
Capital Asset Impairment Loss	(90,000.00)
Extraordinary Item	270,000.00

Decrease in Net Position	(357,744.68)
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NET POSITION

Net Position, July 1, 2013	15,684,680.25
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Net Position, June 30, 2014	\$ 15,326,935.57
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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, 2014

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 1,511,186.03
Payments to Employees and Fringe Benefits	(10,540,491.05)
Payments to Vendors and Suppliers	(3,434,642.05)
Payments for Scholarships and Fellowships	(1,801,632.22)
Other Receipts	530.35
	<hr/>
Net Cash Used by Operating Activities	(14,265,048.94)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	8,546,647.15
County Appropriations	1,217,137.00
Noncapital Grants - Student Financial Aid	3,146,159.96
Noncapital Grants	607,958.59
Noncapital Gifts	372,380.00
Principal Paid on Noncapital Debt	(59,991.24)
Interest Paid on Noncapital Debt	(7,209.42)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	13,823,082.04

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	409,862.41
County Capital Aid	292,322.67
Capital Grants	72,302.43
Acquisition of Capital Assets	(168,146.68)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	606,340.83

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	2,121.55
	<hr/>
Net Cash Provided by Investing Activities	2,121.55

Net Increase in Cash and Cash Equivalents	166,495.48
Cash and Cash Equivalents, July 1, 2013	1,402,016.91
	<hr/>
Cash and Cash Equivalents, June 30, 2014	\$ 1,568,512.39

Sampson Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (14,815,634.87)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	633,169.87
Changes in Assets and Liabilities:	
Receivables, Net	(30,516.36)
Inventories	(66,335.92)
Accounts Payable and Accrued Liabilities	37,784.36
Due to Primary Government	143.03
Unearned Revenue	1,625.64
Funds Held for Others	530.35
Compensated Absences	(25,815.04)
Net Cash Used by Operating Activities	<u>\$ (14,265,048.94)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 1,083,916.99
Restricted Cash and Cash Equivalents	451,151.54
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>33,443.86</u>
Total Cash and Cash Equivalents - June 30, 2014	<u>\$ 1,568,512.39</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	\$ 128.52
Loss on disposal of capital assets	(95,053.13)
Loss on Impairment of Capital Assets	(90,000.00)

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

Sampson Community College Foundation, Inc.
Statement of Financial Position
June 30, 2014

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$ 91,976
Board Designated Investments	342,139
Contributions Receivable	6,880
Property Held for Sale	8,300
Assets Restricted for Investments in Endowments and Payment of Scholarships	
Cash and Cash Equivalents	140,652
Investments	1,263,628
Total Assets	<u>\$ 1,853,575</u>

NET ASSETS

Unrestricted	\$ 107,157
Unrestricted, Board Designated	342,139
Total Unrestricted	449,296
Temporarily Restricted	631,711
Permanently Restricted	772,568
Total Net Assets	<u>\$ 1,853,575</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, 2014

Exhibit B-2

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CHANGES IN NET ASSETS				
Revenues, Gains, and Other Support				
Contributions	\$ 60,783	\$ 138,263	\$ 1,400	\$ 200,446
Special Events	26,430	5,150		31,580
Interest and Dividends	16,984	18,743		35,727
Net Investment Gains	21,429	67,027		88,456
Reclassification due to Donor Imposed Restrictions		4,997	(4,997)	
Satisfaction of Restrictions				
Temporarily Restricted to Unrestricted	<u>86,536</u>	<u>(86,536)</u>		
Total Revenues, Gains, and Other Support	<u>212,162</u>	<u>147,644</u>	<u>(3,597)</u>	<u>356,209</u>
Expenses and Losses:				
Costs of Direct Benefits to Donors	12,546			12,546
Program Expenditures	115,924			115,924
Fundraising	8,428			8,428
Administrative	24,364			24,364
Total Expenses and Losses	<u>161,262</u>			<u>161,262</u>
Change in Net Assets	50,900	147,644	(3,597)	194,947
Net Assets at Beginning of Year	<u>398,395</u>	<u>484,068</u>	<u>776,165</u>	<u>1,658,628</u>
Net Assets at End of Year	<u>\$ 449,295</u>	<u>\$ 631,712</u>	<u>\$ 772,568</u>	<u>\$ 1,853,575</u>

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



NOTES TO THE FINANCIAL STATEMENTS

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. See below for further discussion of the College's component unit.

Discretely Presented Component Unit - Sampson Community College Foundation, Inc. (Foundation) is a legally separate nonprofit 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.

The Sampson Community College Foundation, Inc. is a private nonprofit 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, 2014, the Foundation distributed \$87,292.20 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.
- 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.

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:

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. Both restricted and unrestricted net position include consideration of deferred inflows and outflows of resources.

- 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.

- 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 \$690 and deposits in private financial institutions with a carrying value of \$1,567,822.39. In addition, the amount shown as investments includes \$210,128.52 of certificates of deposit with private financial institutions. At June 30, 2014, the College's total deposits with private institutions had a carrying value of \$1,777,950.91 and a bank balance of \$1,875,546.62.

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, 2014, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

B. Investments

College - 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, 2014, the College's investments consisted of \$210,128.52 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 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:

Investment Type	Fair Value
Certificates of Deposit	\$ 147,297
Money Market Funds	119,679
Mutual Funds	<u>1,338,791</u>
Total	<u>\$ 1,605,767</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, 2014, is as follows:

Cash on Hand	\$ 690.00
Carrying Amount of Deposits with Private Financial Institutions	1,567,822.39
Investments in Certificates of Deposit	<u>210,128.52</u>
Total Deposits and Investments	<u><u>\$ 1,778,640.91</u></u>
Deposits	
Current:	
Cash and Cash Equivalents	\$ 1,083,916.99
Restricted Cash and Cash Equivalents	451,151.54
Noncurrent:	
Restricted Cash and Cash Equivalents	<u>33,443.86</u>
Total Deposits	<u>1,568,512.39</u>
Investments	
Current:	
Short-Term Investments	115,128.52
Noncurrent:	
Other Investments	<u>95,000.00</u>
Total Investments	<u>210,128.52</u>
Total Deposits and Investments	<u><u>\$ 1,778,640.91</u></u>

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 3,850.19	\$ 1,820.23	\$ 2,029.96
Student Sponsors	26,280.64		26,280.64
Accounts	153,123.19		153,123.19
Intergovernmental	1,029.65		1,029.65
Other	<u>17,514.51</u>		<u>17,514.51</u>
Total Current Receivables	<u>\$ 201,798.18</u>	<u>\$ 1,820.23</u>	<u>\$ 199,977.95</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, 2014, is presented as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets, Nondepreciable:				
Land	\$ 80,950.25	\$ 0.00	\$ 0.00	\$ 80,950.25
Construction in Progress	90,000.00		90,000.00	0.00
Total Capital Assets, Nondepreciable	<u>170,950.25</u>		<u>90,000.00</u>	<u>80,950.25</u>
Capital Assets, Depreciable:				
Buildings	17,268,182.59			17,268,182.59
Machinery and Equipment	4,415,417.91	168,146.68	230,077.60	4,353,486.99
General Infrastructure	943,081.81			943,081.81
Total Capital Assets, Depreciable	<u>22,626,682.31</u>	<u>168,146.68</u>	<u>230,077.60</u>	<u>22,564,751.39</u>
Less Accumulated Depreciation for:				
Buildings	5,906,345.07	350,456.40		6,256,801.47
Machinery and Equipment	1,794,006.71	264,714.55	121,024.47	1,937,696.79
General Infrastructure	317,857.42	17,998.92		335,856.34
Total Accumulated Depreciation	<u>8,018,209.20</u>	<u>633,169.87</u>	<u>121,024.47</u>	<u>8,530,354.60</u>
Total Capital Assets, Depreciable, Net	<u>14,608,473.11</u>	<u>(465,023.19)</u>	<u>109,053.13</u>	<u>14,034,396.79</u>
Capital Assets, Net	<u>\$ 14,779,423.36</u>	<u>\$ (465,023.19)</u>	<u>\$ 199,053.13</u>	<u>\$ 14,115,347.04</u>

The Statement of Revenues, Expenses, and Changes in Net Position contains a nonoperating capital asset impairment loss of \$90,000. This amount is represented by the decrease to construction in progress shown above. The impairment was caused by a permanent construction stoppage on the Early Childhood Development Building project due to lack of funding.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2014, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 58,583.20
Accrued Payroll	158,528.72
Total Current Accounts Payable and Accrued Liabilities	<u>\$ 217,111.92</u>

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, 2014, is presented as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Notes Payable	\$ 199,970.22	\$ 0.00	\$ 59,991.24	\$ 139,978.98	\$ 59,991.24
Compensated Absences	609,405.05	384,728.36	410,543.40	583,590.01	87,830.30
Total Long-Term Liabilities	\$ 809,375.27	\$ 384,728.36	\$ 470,534.64	\$ 723,568.99	\$ 147,821.54

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, 2014	Principal Outstanding June 30, 2014
Guaranteed Energy Savings Contract	BB&T	4.18%	10/13/2016	\$ 689,898.68	\$ 549,919.70	\$ 139,978.98

The annual requirements to pay principal and interest on notes payable at June 30, 2014, are as follows:

Fiscal Year	Annual Requirements	
	Notes Payable	
	Principal	Interest
2015	\$ 59,991.24	\$ 4,701.79
2016	59,991.24	2,194.16
2017	19,996.50	174.71
Total Requirements	\$ 139,978.98	\$ 7,070.66

NOTE 7 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Net Revenues
Operating Revenues:			
Student Tuition and Fees	\$ 2,163,901.12	\$ 1,161,328.40	\$ 1,002,572.72
Sales and Services:			
Sales and Services of Auxiliary Enterprises:			
Bookstore	838,511.04	519,091.80	319,419.24
Other	80,975.39		80,975.39
Total Sales and Services	\$ 919,486.43	\$ 519,091.80	\$ 400,394.63

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	\$ 6,351,566.91	\$ 453,064.29	\$ 481,241.97	\$ 3,610.00	\$ 9,964.81	\$ 0.00	\$ 7,299,447.98
Academic Support	1,009,779.68	41,887.70	24,447.55				1,076,114.93
Student Services	820,127.27	28,621.69	152,919.51	39,235.00			1,040,903.47
Institutional Support	1,934,850.16	134,449.88	373,569.31				2,442,869.35
Operations and Maintenance of Plant	330,947.85	111,014.49	564,315.22		292,156.39		1,298,433.95
Student Financial Aid			5,842.50	1,744,388.01			1,750,230.51
Auxiliary Enterprises	84,600.59	702,873.58	12,668.18	14,399.21			814,541.56
Depreciation						633,169.87	633,169.87
Total Operating Expenses	\$ 10,531,872.46	\$ 1,471,911.63	\$ 1,615,004.24	\$ 1,801,632.22	\$ 302,121.20	\$ 633,169.87	\$ 16,355,711.62

NOTE 9 - PENSION PLANS

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.

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, 2014, these rates were set at 8.69% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$8,143,111.45, of which \$7,121,484.87 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$618,857.04 and \$427,289.09, respectively.

Required employer contribution rates for the years ended June 30, 2013, and 2012, were 8.33% and 7.44%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2014, 2013, and 2012, which were \$618,857.04, \$611,369.84, and \$535,274.56, 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.

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 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 5.40% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2013, and 2012, were 5.30% and 5.0%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2014, 2013, and 2012, which were \$384,560.18, \$388,986.81, and \$359,727.52, 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, 2014, 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, 2013, and 2012, were .44% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2014, 2013, and 2012, which were \$31,334.53, \$32,293.24, and \$37,411.66, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 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. 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.

STATE OF NORTH CAROLINA
Office of the State Auditor



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

Board of Trustees
Sampson Community College
Clinton, North Carolina

We have audited, 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 23, 2015. Our report includes a reference to other auditors who audited the financial statements of the Sampson Community College Foundation, Inc., as described in our report on the College's financial statements. The financial statements of the 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 the discretely presented component unit.

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

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

February 23, 2015

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This audit required 288.5 audit hours at an approximate cost of \$27,119.00.