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, 2016

A Component Unit of the State of North Carolina

NCOSA

The Taxpayers' Watchdog

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
http://www.ncauditor.net

AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, 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, 2016, 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.

Beth A. Wood, CPA
State Auditor

Beth A. Wood, CPA
State Auditor

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
http://www.ncauditor.net

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 (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, 2016, 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 opinions, insofar as they relate to the amounts included for the Sampson Community College Foundation, Inc., are 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.

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 respective financial position of Sampson Community College, and its discretely presented component unit, as of June 30, 2016, and the respective 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 and other required supplementary information, as listed in the table of contents, 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 March 22, 2017 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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 22, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Purpose

The information in this section is intended to provide a general overview of Sampson Community College's (College) financial statements and is based upon the information contained in the financial statements accompanying this discussion and analysis. The College is required by the Governmental Accounting Standards Board (GASB) to present 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, deferred outflows, liabilities, deferred inflows, 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. (Foundation) 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 and deferred outflows on June 30, 2016 and June 30, 2015. There were no significant changes in assets or deferred outflows during the year ended June 30, 2016.

	6/30/2016	6/30/2015	Variance	Variance %
Assets:				
Current Assets	$ 2,242,569.83	$ 2,209,541.47	$ 33,028.36	1.49%
Noncurrent Assets:				
Capital Assets, Net	13,641,359.00	13,860,814.15	(219,455.15)	-1.58%
Other	140,381.08	136,848.14	3,532.94	2.58%
Total Assets	$ 16,024,309.91	$ 16,207,203.76	$ (182,893.85)	-1.13%
Total Deferred Outflows of Resources	$ 625,493.00	$ 642,153.00	$ (16,660.00)	-2.59%

Institutional Assets

The assets of the College are divided between current and noncurrent assets. Current assets include cash and cash equivalents, short-term investments, receivables, inventories, and notes receivable.

Current Assets	6/30/2016	6/30/2015	Variance	Variance %
Cash and Cash Equivalents	$ 1,171,842.62	$ 1,141,922.45	$ 29,920.17	2.62%
Restricted Cash and Cash Equivalents	509,700.06	489,119.77	20,580.29	4.21%
Short-Term Investments	115,217.39	115,172.96	44.43	0.04%
Receivables, Net	166,414.45	312,400.93	(145,986.48)	-46.73%
Inventories	278,999.99	150,530.04	128,469.95	85.35%
Notes Receivable	395.32	395.32		
Total Current Assets	$ 2,242,569.83	$ 2,209,541.47	$ 33,028.36	1.49%

The College's receivables, net decreased due to the timing of cash receipts from the County of $66,672.75 for maintenance items, bookstore credit memos due from vendors decreasing $35,753.14, Workforce Investment Act (WIA) – Adult grant decreasing $12,706.35, and the Dislocated Worker grant decreasing $19,872.01. The WIA – Adult and Dislocated Worker grants were awarded to the College for the 2014-2015 fiscal year only. The College had received the majority of the books and supplies for the fall semester by June 30, 2016, which resulted in an increase to the bookstore inventory of $135,985.76.

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

Noncurrent Assets	6/30/2016	6/30/2015	Variance	Variance %
Restricted Cash and Cash Equivalents	$ 45,381.08	$ 41,848.14	$ 3,532.94	8.44%
Other Investments	95,000.00	95,000.00		
Capital Assets, Net	13,641,359.00	13,860,814.15	(219,455.15)	-1.58%
Total Noncurrent Assets	$ 13,781,740.08	$ 13,997,662.29	$ (215,922.21)	-1.54%

The College's net capital assets decreased by $219,455.15 due to the fact that the College had $471,581.14 of additions to equipment and depreciation expense for the fiscal year was $691,036.29.

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 note payable to BB&T for a Guaranteed Energy Savings Contract. The decrease in current liabilities was caused by a decrease in accrued payroll of $34,186.33 due to a restructuring of some employee contracts during the year, a decrease in the amount due to vendors of $98,396.91 for maintenance and bookstore expenses, and a decrease of $39,994.74 in the current portion of the principal payments due on the Guaranteed Energy Savings Contract. The increase in long-term liabilities is due to an increase of $1,104,590.00 in net pension liability recognized for the GASB 68 requirement that provides for improved reporting of governmental employers of the net pension liability on the statement of net position (total pension liability of the pension plan, which is actuarially based, less the plan's fiduciary net position). Additional note disclosures and required supplementary information are included in these financial statements.

Liabilities	6/30/2016	6/30/2015	Variance	Variance %
Current	$ 331,767.79	$ 495,916.78	$ (164,148.99)	-33.10%
Long-Term	2,199,044.28	1,150,002.66	1,049,041.62	91.22%
Total Liabilities	$ 2,530,812.07	$ 1,645,919.44	$ 884,892.63	53.76%

Deferred Inflows Related to Pensions

Deferred inflows related to pensions decreased $1,617,023.00, or 76.64%. The reduction is based on actuarial calculations. It is primarily the difference between projected investment earnings and actual earnings of funds invested in the Teachers' and State Employees' Retirement System.

Deferred Inflows of Resources	6/30/2016	6/30/2015	Variance	Variance %
Deferred Inflows Related to Pensions	$ 492,955.00	$ 2,109,978.00	$ (1,617,023.00)	-76.64%

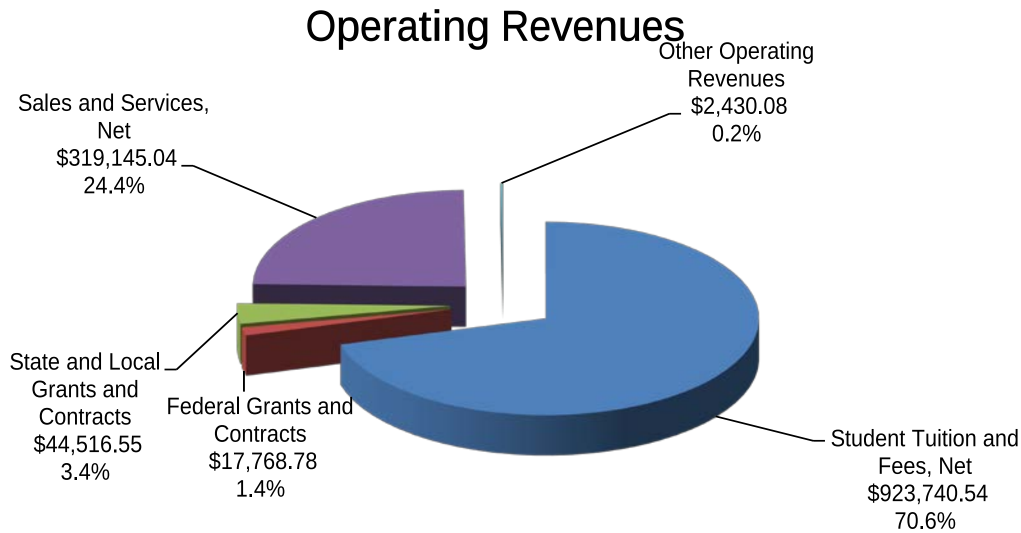
Net Position

Net position is a measure of the value of all the College's assets and deferred outflows after liabilities and deferred inflows of resources are deducted. The College's net position has increased by $532,576.52 since the prior year. Unrestricted net position increased by $713,393.59. The increase was primarily due to the net effect of the College's recognition of pension contributions for this fiscal year of $625,493.00 and the pension expense of $129,021.00.

Net Position	6/30/2016	6/30/2015	Variance	Variance %
Investment in Capital Assets	$ 13,641,359.00	$ 13,860,814.15	$ (219,455.15)	-1.58%
Restricted	538,785.05	500,146.97	38,638.08	7.73%
Unrestricted	(554,108.21)	(1,267,501.80)	713,393.59	56.28%
Total Net Position	$ 13,626,035.84	$ 13,093,459.32	$ 532,576.52	4.07%

Revenues

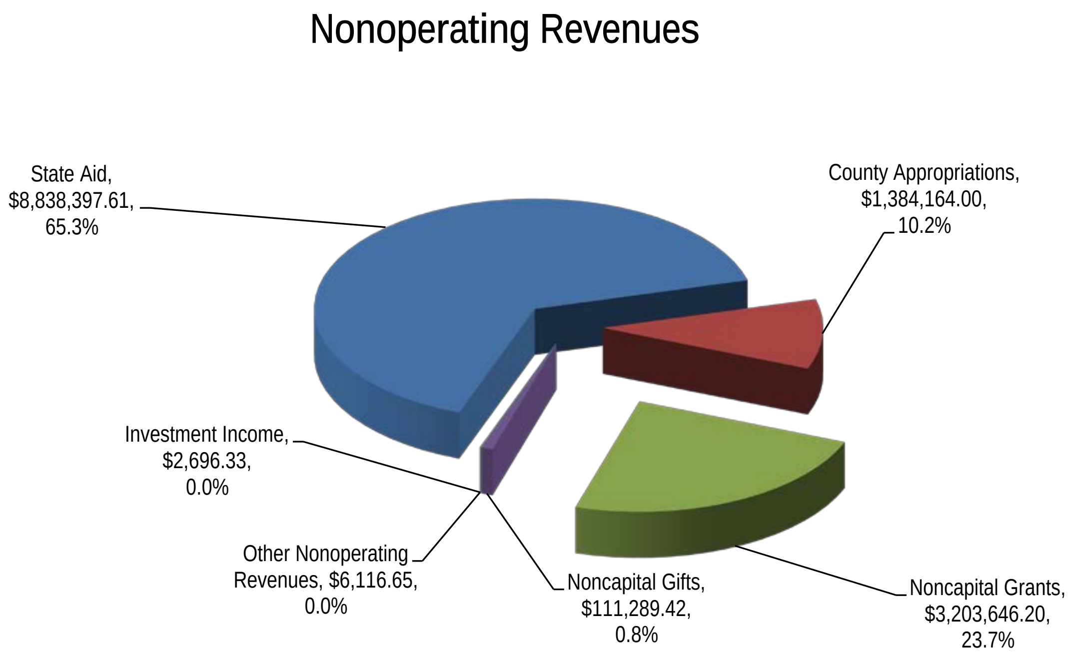
The College's revenues are classified as either operating or nonoperating revenues. Operating revenues include student tuition and fees, certain federal, state and local grants and contracts, and the revenue received from sales and services, principally comprised of the revenue received from the bookstore, vending, and the rental of the food service operation. The majority of the decrease in student tuition and fees came as a result of a decrease in the amount of curriculum tuition collected of $50,151.38. The College had a decrease in state and local contracts due to the Partnership for Children grant ending in the fiscal year 2014-2015. The majority of the decrease in sales and services was due to a $51,119.51 decrease in bookstore sales and an $11,516.77 decrease in the commissions earned on Pepsi sales.



Operating Revenues	6/30/2016	6/30/2015	Variance	Variance %
Student Tuition and Fees, Net	$ 923,740.54	$ 973,539.27	$ (49,798.73)	-5.12%
Federal Grants and Contracts	17,768.78	31,815.52	(14,046.74)	-44.15%
State and Local Grants and Contracts	44,516.55	88,228.37	(43,711.82)	-49.54%
Sales and Services, Net	319,145.04	387,530.57	(68,385.53)	-17.65%
Other Operating Revenues	2,430.08	2,851.45	(421.37)	-14.78%
Total Operating Revenues	$ 1,307,600.99	$ 1,483,965.18	$ (176,364.19)	-11.88%

Nonoperating Revenues

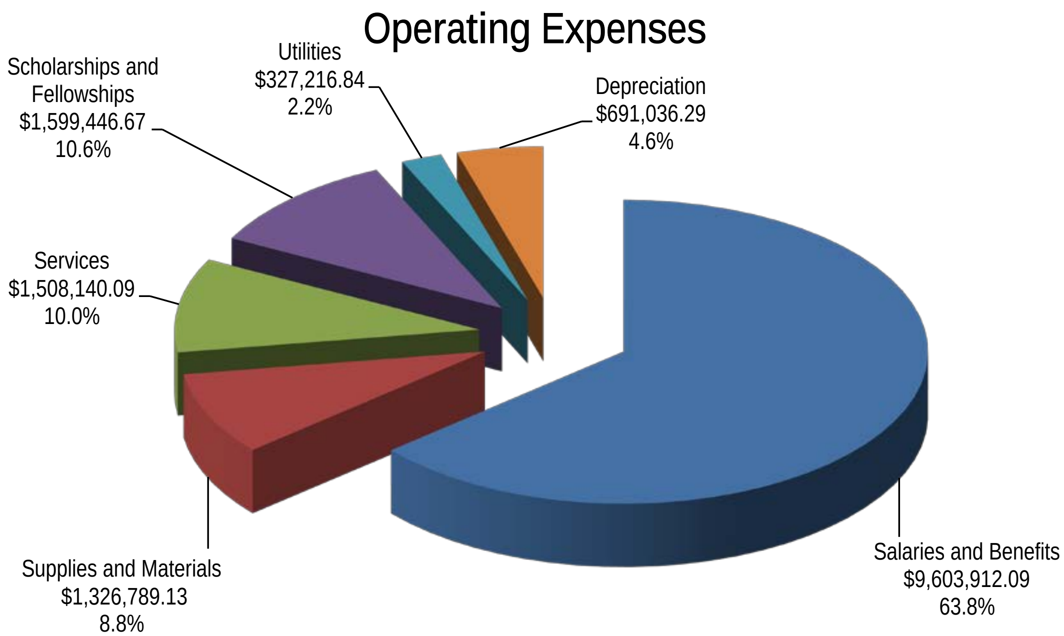
Nonoperating revenues comprise the major portion of the College's income and include formula allocations from the North Carolina State Board of Community Colleges for current expenses and equipment, as well as funds appropriated from the Sampson County Board of Commissioners. The College received $358,863.54 more in state aid due to an increase of 21 FTE's (full-time equivalent) in the occupational extension program and an allocation of funds for a one time compensation bonus of $750 for all full-time employees. The College also received $24,731.00 more in county appropriations during the 2015-2016 fiscal year. The WIA-Dislocated Worker, WIA-Adult, and Special Services grants ended for the College in the 2014-2015 fiscal year, which resulted in a decrease of $169,133.91, $144,788.23, and $179,326.61, respectively, in noncapital grants. The College received $222,931.57 less in Pell grant funding, which also resulted in a decrease to noncapital grants. Noncapital gifts increased by $35,308.42 due to the College receiving more general scholarship money from the Sampson Community College Foundation, Inc.



Nonoperating Revenues	6/30/2016	6/30/2015	Variance	Variance %
State Aid	$ 8,838,397.61	$ 8,479,534.07	$ 358,863.54	4.23%
County Appropriations	1,384,164.00	1,359,433.00	24,731.00	1.82%
Noncapital Grants	3,203,646.20	3,896,121.89	(692,475.69)	-17.77%
Noncapital Gifts	111,289.42	75,981.00	35,308.42	46.47%
Investment Income	2,696.33	2,324.00	372.33	16.02%
Other Nonoperating Revenues	6,116.65		6,116.65	
Total Nonoperating Revenues	$ 13,546,310.21	$ 13,813,393.96	$ (267,083.75)	-1.93%

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 a net decrease resulting from a $625,493.00 decrease in net pension expense during the fiscal year. The majority of the decrease in services was due to a decrease in county repairs to facilities of $263,858.85. The College received $222,931.57 less in federal Pell grant funding for the 2015-2016 fiscal year, resulting in a decrease to scholarships and fellowships.



Operating Expenses	6/30/2016	6/30/2015	Variance	Variance %
Salaries and Benefits	$ 9,603,912.09	$ 10,108,934.85	$ (505,022.76)	-5.00%
Supplies and Materials	1,326,789.13	1,378,476.89	(51,687.76)	-3.75%
Services	1,508,140.09	1,831,018.13	(322,878.04)	-17.63%
Scholarships and Fellowships	1,599,446.67	1,898,846.56	(299,399.89)	-15.77%
Utilities	327,216.84	306,540.11	20,676.73	6.75%
Depreciation	691,036.29	656,138.39	34,897.90	5.32%
Total Operating Expenses	$ 15,056,541.11	$ 16,179,954.93	$ (1,123,413.82)	-6.94%

Nonoperating Expenses

Nonoperating expenses are comprised of $2,194.16 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. Sampson County provides capital contributions for maintenance equipment and small construction items.

Capital Contributions	6/30/2016	6/30/2015	Variance	Variance %
State Capital Aid	$ 229,578.74	$ 647,627.66	$ (418,048.92)	-64.55%
County Capital Aid	262,569.88	413,761.32	(151,191.44)	-36.54%
Capital Grants	245,251.97	35,141.35	210,110.62	597.90%
Capital Gifts		4,300.00	(4,300.00)	
Total Capital Contributions	$ 737,400.59	$ 1,100,830.33	$ (363,429.74)	-33.01%

The College received $418,048.92 less for state capital certification and $151,191.44 less for county capital outlay during the 2015-2016 fiscal year. The College received $245,251.97 from Duke Energy for a capital grant.

For fiscal year 2015-2016 the College's total revenues were $15,591,311.79 and total expenses were $15,058,735.27.

For fiscal year 2014-2015 the College's total revenues were $16,398,189.47 and total expenses were $16,184,656.72.

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 has experienced enrollment decline through FY 2015-16 across curriculum extension and literacy programs. Formula funding, without legislative mitigation, has declined by 2.7% from FY 2015-16 appropriations, affecting enrollment in curriculum and extension programs.
2. Changes in the North Carolina Community College System funding model (to include summer curriculum enrollment) provide opportunity for the College to offset enrollment losses in other terms. Summer 2016 curriculum enrollment increased by approximately 80% over the previous Summer 2015 enrollment. Curriculum enrollment for the Fall 2016 term has rebounded with headcount and FTE growth of approximately 9% and 2% respectively.
3. Enrollment in literacy and occupational extension programs still reflect downward trends and may erode growth in curriculum programs.
4. The College has added four AAS (Associate of Applied Science) programs which have created demand for additional faculty and diversification of faculty credentials. Until expanded enrollment is sustainable for these programs, new faculty costs must be born from existing levels of appropriations.
5. The College's commitment to the Early College High School and successful expansion of the Career and College Promise should provide for ongoing enrollment in general education courses sufficient to employ a strong nucleus of faculty teaching in the academic core.
6. Enrollment losses are not institution wide with some programs experiencing significant decline while others have remained stable. College transfer options and selected industrial programs have enjoyed increases in enrollment. Some reallocation of faculty resources within programs is anticipated.
7. There are continuing downward pressures on enrollment in developmental programs resulting from changes in admissions requirements (i.e. multiple measures), the redesign of developmental education (DMA/DREs), and curriculum modifications in AAS curriculums (math/science option).
8. 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.
9. Funds from the NC Connect Bond Fund ($4.7 million) and the pledge of ongoing capital funds from the Sampson County Board of Commissioners will allow the

College to address significant deferred maintenance, identify Americans with Disabilities Act issues, and add up to 20,000 square feet of additional shop and academic facilities. Targeted expansions include the replacement of the existing welding building and the addition of a multipurpose facility to support credit and non-credit courses and a range of student activities.

10. The General Assembly continues to reduce funds held back within the funding formula under management flexibility reductions. For FY 2016-2017, funds are projected to be reduced by $417,409.00.

Economic Forecast

The economic forecast for the College is expected to mirror that for the State of North Carolina as well as that for the immediate service area of Sampson County. The recent economic forecast for the State, as provided by UNC Charlotte economist John Connaughton, suggests that the State is experiencing modest growth with 2017 expected to continue state trends. Consumer confidence is expected to play an important part in the continuation of growth.

Wells Fargo indicates that North Carolina continues to add jobs rapidly in key industry categories. In June 2016, nonfarm employment rose by 19,400 jobs, marking the fifth-strongest gain nationwide. Significant growth was also experienced in government. Over the past few years, North Carolina has added jobs at a faster rate than the nation, allowing for a narrowing of the gap between the state's jobless rate and those reported nationally. Consistent with long held historical trends, hiring in professional and business services (including the technology sector) continues to drive hiring in the Triangle and other metropolitan areas. Regional variations in hiring are obvious with Sampson County and much of the rural southeast continuing to lag behind Piedmont and coastal counties in population and economic growth.

State aid is expected to sustain at current levels of FTE allocation. Similarly, local county contributions are expected to be stable and sufficient to address building and operational needs over the next several years. Enrollment funds are expected to experience modest growth over the next several years following the strengthening of the College's outreach to the public schools and the increasing enrollment of Career and College Promise students. This enrollment, coupled with the sustained levels of enrollment in the Sampson Early College High School, suggests stability in funding levels for most curriculum needs.

Modest expansion in the county's industrial and business base is expected over the next five years. The current industrial profile and the anticipated lack of industrial growth suggest no significant changes in wage rates are expected.

The highway widening project from Fayetteville to Kenansville is slated for completion in 2018. County and city planners predict development along the corridor with the possibility of significant retail growth in areas immediately east of the College's campus. Industrial and manufacturing development is not expected to be immediately impacted.

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. Significant changes in acres under cultivation are not anticipated. Sampson County farm income is expected to reflect strong demand for products produced in southeastern North Carolina.

FINANCIAL STATEMENTS

Sampson Community College
Statement of Net Position — *Exhibit A-1*
June 30, 2016

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	1,171,842.62
Restricted Cash and Cash Equivalents		509,700.06
Short-Term Investments		115,217.39
Receivables, Net (Note 4)		166,414.45
Inventories		278,999.99
Notes Receivable		395.32
Total Current Assets		2,242,569.83
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		45,381.08
Other Investments		95,000.00
Capital Assets - Nondepreciable (Note 5)		80,950.25
Capital Assets - Depreciable, Net (Note 5)		13,560,408.75
Total Noncurrent Assets		13,781,740.08
Total Assets		16,024,309.91
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		625,493.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities (Note 6)		147,988.03
Due to Primary Government		998.86
Unearned Revenue		29,682.20
Funds Held for Others		40,350.74
Long-Term Liabilities - Current Portion (Note 7)		112,747.96
Total Current Liabilities		331,767.79
Noncurrent Liabilities:		
Long-Term Liabilities (Note 7)		2,199,044.28
Total Liabilities		2,530,812.07
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		492,955.00

NET POSITION

Investment in Capital Assets	13,641,359.00
Restricted for Expendable:	
Scholarships and Fellowships	27,360.88
Restricted for Departmental Uses	116,052.60
Loans	14,251.26
Capital Projects	6,042.24
Instructional Technology Programs	268,393.29
Restricted for Specific Programs	63,248.89
Other	43,435.89
Unrestricted	(554,108.21)
Total Net Position	$ 13,626,035.84

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, 2016 ***Exhibit A-2***

REVENUES	
Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	$ 923,740.54
Federal Grants and Contracts	17,768.78
State and Local Grants and Contracts	44,516.55
Sales and Services, Net (Note 8)	319,145.04
Other Operating Revenues	2,430.08
Total Operating Revenues	1,307,600.99
EXPENSES	
Operating Expenses:	
Salaries and Benefits	9,603,912.09
Supplies and Materials	1,326,789.13
Services	1,508,140.09
Scholarships and Fellowships	1,599,446.67
Utilities	327,216.84
Depreciation	691,036.29
Total Operating Expenses	15,056,541.11
Operating Loss	(13,748,940.12)
NONOPERATING REVENUES (EXPENSES)	
State Aid	8,838,397.61
County Appropriations	1,384,164.00
Noncapital Grants - Student Financial Aid	2,706,376.78
Noncapital Grants	497,269.42
Noncapital Gifts	111,289.42
Investment Income	2,696.33
Interest on Debt	(2,194.16)
Other Nonoperating Revenues	6,116.65
Net Nonoperating Revenues	13,544,116.05
Loss Before Other Revenues	(204,824.07)
State Capital Aid	229,578.74
County Capital Aid	262,569.88
Capital Grants	245,251.97
Increase in Net Position	532,576.52
NET POSITION	
Net Position, July 1, 2015	13,093,459.32
Net Position, June 30, 2016	$ 13,626,035.84

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 1,457,709.90
Payments to Employees and Fringe Benefits	(10,174,724.79)
Payments to Vendors and Suppliers	(3,387,658.03)
Payments for Scholarships and Fellowships	(1,599,446.67)
Other Receipts	13,879.87
Net Cash Used by Operating Activities	(13,690,239.72)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	8,838,397.61
County Appropriations	1,384,164.00
Noncapital Grants - Student Financial Aid	2,706,376.78
Noncapital Grants	497,759.36
Noncapital Gifts	111,289.42
Principal Paid on Noncapital Debt	(59,991.24)
Interest Paid on Noncapital Debt	(2,194.16)
Net Cash Provided by Noncapital Financing Activities	13,475,801.77
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	229,578.74
County Capital Aid	262,569.88
Capital Grants	245,251.97
Acquisition of Capital Assets	(471,581.14)
Net Cash Provided by Capital and Related Financing Activities	265,819.45
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	2,651.90
Cash Provided by Investing Activities	2,651.90
Net Increase in Cash and Cash Equivalents	54,033.40
Cash and Cash Equivalents, July 1, 2015	1,672,890.36
Cash and Cash Equivalents, June 30, 2016	$ 1,726,923.76

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	$	(13,748,940.12)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		691,036.29
Pension Expense		129,021.00
Miscellaneous Pension Adjustments		699.00
Nonoperating Other Income		6,116.65
Changes in Assets, Liabilities, and Deferred Outflows of Resources:		
Receivables, Net		145,496.54
Inventories		(128,469.95)
Accounts Payable and Accrued Liabilities		(133,546.01)
Due to Primary Government		(288.59)
Unearned Revenue		4,612.37
Funds Held for Others		7,763.22
Deferred Outflows for Contributions Subsequent to the Measurement Date		(625,493.00)
Compensated Absences		(38,247.12)
Net Cash Used by Operating Activities	$	(13,690,239.72)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	1,171,842.62
Restricted Cash and Cash Equivalents		509,700.06
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		45,381.08
Total Cash and Cash Equivalents - June 30, 2016	$	1,726,923.76

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Change in Fair Value of Investments	$	44.43

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, 2016 — *Exhibit B-1*

ASSETS		
Cash and Cash Equivalents	$	103,964
Board Designated Investments		434,713
Assets Restricted for Investments in Endowment and Payment of Scholarships:		
Cash and Cash Equivalents		154,340
Investments		1,309,277
Total Assets	$	2,002,294
LIABILITIES		
Deferred Revenue	$	16,903
Total Liabilities		16,903
NET ASSETS		
Unrestricted		87,063
Unrestricted, Board Designated		434,713
Total Unrestricted		521,776
Temporarily Restricted		665,093
Permanently Restricted		798,522
Total Net Assets		1,985,391
Total Liabilities and Net Assets	$	2,002,294

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, 2016 — *Exhibit B-2*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:				
Contributions	$ 40,150	$ 95,830	$ 10,000	$ 145,980
Special Event Revenue	32,400	5,000		37,400
Interest and Dividends	9,284	34,972		44,256
Other Income	1,035			1,035
Satisfaction of Restrictions:				
Temporarily Restricted to Unrestricted	120,794	(120,794)		
Total Revenues, Gains, and Other Support:	203,663	15,008	10,000	228,671
Expenses and Losses:				
Costs of Direct Benefits to Donors	10,494			10,494
Net Investment Losses	13,194	12,332		25,526
Program Expenditures	127,635			127,635
Fundraising	5,860			5,860
Administrative	12,482			12,482
Total Expenses and Losses	169,665	12,332		181,997
Change in Net Assets	33,998	2,676	10,000	46,674
Net Assets at Beginning of Year	487,778	662,417	788,522	1,938,717
Net Assets at End of Year	$ 521,776	$ 665,093	$ 798,522	$ 1,985,391

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 (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, tax-exempt, 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, 2016, the Foundation distributed $99,680.48 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 and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are reported 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 acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. 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 in the following manner:

Asset Class	Estimated Useful Life
Buildings	18-50 years
Machinery & Equipment	5-50 years
General Infrastructure	50-75 years

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, net pension liability, and compensated absences that will not be paid within the next fiscal year.

The net pension liability represents the College's proportionate share of the collective net pension liability reported in the State of North Carolina's 2015 *Comprehensive Annual Financial Report.* This liability represents the College's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 10 for further information regarding the College's policies for recognizing liabilities, expenses, and deferred outflows and inflows related to pensions.

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 outflows and inflows 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 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. Cash on hand at June 30, 2016 was $690.00. The carrying amount of the College's deposits not with the State Treasurer, including certificates of deposit of $210,217.39, reported as investments on the Statement of Net Position, was $1,936,451.15, and the bank balance was $2,116,055.77.

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, 2016, 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, 2016, the College's investments consisted of $210,217.39 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
Money Market Funds	$ 62,771
Alternative Investments	284,641
Domestic Bonds	531,875
Domestic Equities	585,332
International Bonds	104,915
International Equities	174,456
Total	$ 1,743,990

C. **Reconciliation of Deposits and Investments** - A reconciliation of deposits and investments for the College to the basic financial statements as of June 30, 2016, is as follows:

Cash on Hand	$	690.00
Carrying Amount of Deposits with Private Financial Institutions		1,936,451.15
Total Deposits and Investments	$	1,937,141.15
Deposits		
Current:		
Cash and Cash Equivalents	$	1,171,842.62
Restricted Cash and Cash Equivalents		509,700.06
Noncurrent:		
Restricted Cash and Cash Equivalents		45,381.08
Total Deposits		1,726,923.76
Investments		
Current:		
Short-Term Investments		115,217.39
Noncurrent:		
Other Investments		95,000.00
Total Investments		210,217.39
Total Deposits and Investments	$	1,937,141.15

NOTE 3 - FAIR VALUE MEASUREMENTS

Component Unit – Financial Accounting Standards Board Statement *Accounting Standards Codification 820, Fair Value Measurements and Disclosures (FASB ASC 820),* provides the framework for measuring fair values. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to valuation methodology are unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets in active markets;
- quoted prices for identical or similar assets in active markets;
- inputs other than quoted prices that are observable for the asset;

- inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There were no transfers between levels or changes in methodologies in the year ended June 30, 2016.

Investment securities: determined by quoted market prices, fair value estimates using pricing models and quoted prices of securities with similar characteristics or discounted cash flow.

	Fair Value	Level 1
Investment Securities	$ 1,743,990	$ 1,743,990

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 2,300.19	$ 1,820.23	$ 479.96
Student Sponsors	43,528.24		43,528.24
Accounts	121,247.48		121,247.48
Intergovernmental	346.80		346.80
Other	811.97		811.97
Total Current Receivables	$ 168,234.68	$ 1,820.23	$ 166,414.45

NOTE 5 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2016, is presented as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital Assets, Nondepreciable:				
Land	$ 80,950.25	$ 0.00	$ 0.00	$ 80,950.25
Total Capital Assets, Nondepreciable	80,950.25			80,950.25
Capital Assets, Depreciable:				
Buildings	17,268,182.59			17,268,182.59
Machinery and Equipment	4,755,092.49	471,581.14		5,226,673.63
General Infrastructure	943,081.81			943,081.81
Total Capital Assets, Depreciable	22,966,356.89	471,581.14		23,437,938.03
Less Accumulated Depreciation for:				
Buildings	6,607,257.87	350,456.40		6,957,714.27
Machinery and Equipment	2,225,379.86	322,580.97		2,547,960.83
General Infrastructure	353,855.26	17,998.92		371,854.18
Total Accumulated Depreciation	9,186,492.99	691,036.29		9,877,529.28
Total Capital Assets, Depreciable, Net	13,779,863.90	(219,455.15)		13,560,408.75
Capital Assets, Net	$ 13,860,814.15	$ (219,455.15)	$ 0.00	$ 13,641,359.00

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2016, were as follows:

	Amount
Current Accounts Payable and Accrued Liabilities:	
Accounts Payable	$ 41,365.14
Accrued Payroll	106,622.89
Total Current Accounts Payable and Accrued Liabilities	$ 147,988.03

NOTE 7 - LONG-TERM LIABILITIES

A. **Changes in Long-Term Liabilities** - A summary of changes in the long-term liabilities for the year ended June 30, 2016, is presented as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Notes Payable	$ 79,987.74	$ 0.00	$ 59,991.24	$ 19,996.50	$ 19,996.50
Net Pension Liability	576,597.00	1,104,590.00		1,681,187.00	
Compensated Absences	648,855.86	370,018.46	408,265.58	610,608.74	92,751.46
Total Long-Term Liabilities	$ 1,305,440.60	$ 1,474,608.46	$ 468,256.82	$ 2,311,792.24	$ 112,747.96

Additional information regarding the net pension liability is included in Note 10.

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, 2016	Principal Outstanding June 30, 2016
Guaranteed Energy Savings Contract	BB&T	4.18%	10/13/2016	$ 689,898.68	$ 669,902.18	$ 19,996.50

The annual requirements to pay principal and interest on notes payable at June 30, 2016, are as follows:

Fiscal Year	Annual Requirements Notes Payable Principal	Interest
2017	$ 19,996.50	$ 174.71

NOTE 8 - REVENUES

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

	Gross Revenues	Less Scholarship Discounts	Net Revenues
Operating Revenues:			
Student Tuition and Fees, Net	$ 1,944,594.40	$ 1,020,853.86	$ 923,740.54
Sales and Services:			
Sales and Services of Auxiliary Enterprises:			
Bookstore	$ 662,216.64	$ 400,857.77	$ 261,358.87
Other	57,786.17		57,786.17
Total Sales and Services, Net	$ 720,002.81	$ 400,857.77	$ 319,145.04

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 5,696,979.28	$ 372,398.14	$ 465,609.41	$ 3,847.00	$ 0.00	$ 0.00	$ 6,538,833.83
Academic Support	916,230.59	57,315.70	40,038.78				1,013,585.07
Student Services	615,664.52	33,500.93	172,244.27	22,114.32			843,524.04
Institutional Support	1,902,218.45	206,787.70	336,570.74				2,445,576.89
Operations and Maintenance of Plant	416,690.64	99,827.25	472,338.52		327,216.84		1,316,073.25
Student Financial Aid			5,478.57	1,565,759.06			1,571,237.63
Auxiliary Enterprises	56,128.61	556,959.41	15,859.80	7,726.29			636,674.11
Depreciation						691,036.29	691,036.29
Total Operating Expenses	$ 9,603,912.09	$ 1,326,789.13	$ 1,508,140.09	$ 1,599,446.67	$ 327,216.84	$ 691,036.29	$ 15,056,541.11

NOTE 10 - PENSION PLANS

Defined Benefit Plan

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. The contribution rate for employers is set each year by the NC General Assembly in the Appropriations Act based on the actuarially-determined rate recommended by the actuary. The College's contractually-required contribution rate for the year ended June 30, 2016 was 9.15% of covered payroll. The College's contributions to the pension plan were $625,493.24, and employee contributions were $410,159.50 for the year ended June 30, 2016.

The TSERS Plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2015 *Comprehensive Annual Financial Report*. An electronic version of this report is available on the North Carolina Office of the

State Controller's website at http://www.osc.nc.gov/ or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

TSERS Basis of Accounting: The financial statements of the TSERS plan were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The plan's fiduciary net position was determined on the same basis used by the pension plan.

Methods Used to Value TSERS Investment: Pursuant to *North Carolina General Statutes*, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its Investment Pool. The pension trust funds are the primary participants in the Long-term Investment portfolio and the sole participants in the External Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Credit Investment, and Inflation Protection Investment portfolios. The investment balance of each pension trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2015 *Comprehensive Annual Financial Report*.

Net Pension Liability: At June 30, 2016, the College reported a liability of $1,681,187.00 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, and update procedures were used to roll forward the total pension liability to June 30, 2015. The College's proportion of the net pension liability was based on the present value of future salaries for the College relative to the present value of future salaries for all participating employers, actuarially-determined. As of June 30, 2015, the College's proportion was .04562%, which was a decrease of 0.00356 from its proportion measured as of June 30, 2014.

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2014
Inflation	3%
Salary Increases*	4.25% - 9.10%
Investment Rate of Return**	7.25%

* Salary increases include 3.5% inflation and productivity factor.

** Investment rate of return is net of pension plan investment expense, including inflation.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuations were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc Cost of Living Adjustment (COLA) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (the valuation date) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	2.2%
Global Equity	5.8%
Real Estate	5.2%
Alternatives	9.8%
Credit	6.8%
Inflation Protection	3.4%

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Net Pension Liability (Asset)		
1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 5,059,910.00	$ 1,681,187.00	$ (1,186,048.00)

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: For the year ended June 30, 2016, the College recognized pension expense of $129,021.00. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions by Classification:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	$ 0.00	$ 191,151.00
Changes of Assumptions		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		182,142.00
Change in Proportion and Differences Between Agency's Contributions and Proportionate Share of Contributions		119,662.00
Contributions Subsequent to the Measurement Date	625,493.00	
Total	$ 625,493.00	$ 492,955.00

The amount of $625,493.00 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Schedule of the Net Amount of the Employer's Balances of Deferred Outflows of Resources and Deferred Inflows of Resources That will be Recognized in Pension Expense:

Year ended June 30:	Amount
2017	$ (253,695.00)
2018	(253,695.00)
2019	(245,264.00)
2020	259,699.00
Total	$ (492,955.00)

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

A. Health Benefits - The College participates in the Comprehensive Major Medical Plan (the Plan), a cost-sharing, multiple-employer defined benefit health care plan that provides postemployment health insurance to eligible former employees. Eligible former employees include long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of the Teachers' and State Employees' Retirement System (TSERS). 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 TSERS 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 5.60% of the covered payroll under TSERS to the Fund. Required contribution rates for the years ended June 30, 2015, and 2014, were 5.49% and 5.4%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2016, 2015, and 2014, which were $382,815.53, $385,291.97, and $384,560.18, 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 on the North Carolina Office of the State Controller's website at http://www.osc.nc.gov/ 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 TSERS. 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, 2016, the College made a statutory contribution of .41% of covered payroll under TSERS to the DIPNC. Required contribution rates for the years ended June 30, 2015, and 2014, were .41% and .44%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2016, 2015, and 2014, which were $28,027.57, $28,774.08, and $31,334.53, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 12 - RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

A. Employee Benefit Plans

1. State Health Plan

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.

2. Death Benefit Plan of North Carolina

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.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

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.

2. Public Officers' and Employees' Liability Insurance

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.

3. Employee Dishonesty and Computer Fraud

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 $100,000 deductible. The College is protected for losses from employee dishonesty and computer fraud for employees paid by county and institutional funds by contracts with private insurance companies. The special extension of property coverage provides for protections of $50,000 per occurrence with a $1,000 deductible.

4. Statewide Workers' Compensation Program

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.

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

NOTE 13 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2016, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 72, *Fair Value Measurement and Application*

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

REQUIRED SUPPLEMENTARY INFORMATION

Sampson Community College
Required Supplementary Information
Schedule of the Proportionate Net Pension Liability
Teachers' and State Employees' Retirement System
Last Three Fiscal Years ***Exhibit C-1***

	2015	2014	2013
Proportionate Share Percentage of Collective Net Pension Liability	0.04562%	0.04918%	0.05050%
Proportionate Share of TSERS Collective Net Pension Liability	$ 1,681,187.00	$ 576,597.00	$ 3,065,865.00
Covered-Employee Payroll	$ 7,018,068.74	$ 7,121,484.87	$ 7,339,373.78
Net Pension Liability as a Percentage of Covered-Employee Payroll	23.96%	8.10%	41.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.64%	98.24%	90.60%

Sampson Community College
Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years

Exhibit C-2

	2016	2015	2014	2013	2012
Contractually Required Contribution	$ 625,493.24	$ 642,153.29	$ 618,857.04	$ 611,369.84	$ 535,274.56
Contributions in Relation to the Contractually Determined Contribution	625,493.24	642,153.29	618,857.04	611,369.84	535,274.56
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 6,835,991.69	$ 7,018,068.74	$ 7,121,484.87	$ 7,339,373.78	$ 7,194,550.47
Contributions as a Percentage of Covered-Employee Payroll	9.15%	9.15%	8.69%	8.33%	7.44%

	2011	2010	2009	2008	2007
Contractually Required Contribution	$ 359,866.29	$ 256,617.14	$ 247,451.08	$ 219,572.27	$ 182,757.75
Contributions in Relation to the Contractually Determined Contribution	359,866.29	256,617.14	247,451.08	219,572.27	182,757.75
Contribution Deficiency (Excess)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Covered-Employee Payroll	$ 7,299,519.13	$ 7,188,155.06	$ 7,364,615.40	$ 7,199,090.80	$ 6,870,592.24
Contributions as a Percentage of Covered-Employee Payroll	4.93%	3.57%	3.36%	3.05%	2.66%

Sampson Community College
Notes to Required Supplementary Information
Schedule of College Contributions
Teachers' and State Employees' Retirement System
Last Ten Fiscal Years

Changes of Benefit Terms:

Cost of Living Increase

2015*	2014	2013	2012	2011	2010	2009	2008	2007	2006
1.00%	N/A	1.00%	N/A	N/A	N/A	2.20%	2.20%	3.00%	2.00%

Changes of assumptions. In 2008, and again in 2012, the rates of withdrawal, mortality, service retirement and salary increase for active members and the rates of mortality for beneficiaries were adjusted to more closely reflect actual experience. Assumptions for leave conversions and loads were also revised in 2012.

*Per the 2015 State of North Carolina *Comprehensive Annual Financial Report* , the 1.00% cost of living adjustment applies to retirees whose retirement began on or before July 1, 2013.

Independent Auditor's Report

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
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 (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, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 22, 2017. 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 opinions 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

Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 22, 2017

ORDERING INFORMATION

COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0600

Telephone: 919-807-7500
Facsimile: 919-807-7647
Internet: http://www.ncauditor.net

To report alleged incidents of fraud, waste or abuse in state government contact the Office of the State Auditor Fraud Hotline: **1-800-730-8477** or download our free app.

https://play.google.com/store/apps/details?id=net.ncauditor.ncauditor

https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745

For additional information contact:
Bill Holmes
Director of External Affairs
919-807-7513

This audit required 320 audit hours at an approximate cost of $32,960.00.