

**Audited Financial Statements
Stanly Community College
Albemarle, North Carolina
As of and for the Year Ended June 30, 2014**

TABLE OF CONTENTS

	Pages
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
College Exhibits	
A-1 Statement of Net Position	9-10
A-2 Statement of Revenues, Expenses and Changes in Net Position	11
A-3 Statement of Cash Flows	12-13
B-1 Stanly Community College Foundation, Inc. - Statement of Financial Position	14
B-2 Stanly Community College Foundation, Inc. - Statement of Activities	15-16
Notes to the Financial Statements	17-34
Independent Auditors' Report on Internal Control	35-36



INDEPENDENT AUDITORS' REPORT

Members of the Board of Trustees
Stanly Community College
Albemarle, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the Stanly Community College (the "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 statement 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Stanly 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 Stanly Community College Foundation, Inc., is based solely on the report of 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 Stanly 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 in the auditors' 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 other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Stanly 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 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 November 17, 2014 on our consideration of the College's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

LB&A, Certified Public Accountants, PLLC

Matthews, North Carolina
November 17, 2014

Management's Discussion and Analysis

Stanly Community College

This discussion and analysis of Stanly Community College's (the "College" or "SCC") financial statements has been prepared by management and provides an overview of the College's financial activities for the year ended June 30, 2014, with selected comparative data for the year ended June 30, 2013. Please read it in conjunction with the financial statements and notes to the financial statements.

Overview of the Financial Statements

Three basic financial statements are included with this report along with the management's discussion and analysis, the notes to the financial statements, and required supplementary information:

1. Statement of Net Assets
2. Statement of Revenues, Expenses, and Changes in Net Assets
3. Statement of Cash Flows

These three basic financial statements provide information on the whole operations of the College.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the institution as a whole and on its activities. These two reports help the users of this report to analyze the current year's operations to determine if the institution is better or worse off than the prior year. When revenues and other support exceed expenses, the result is an increase in net assets. When expenses exceed revenues and support, the result is a decrease in net assets.

The College's net assets are the difference between assets and liabilities and are one of the measures of the financial health of the institution. Over a period of time, increases or decreases in the College's net assets are one of several indicators that determine if its financial situation is improving or deteriorating. The user will need to take into account other financial and non-financial factors to assess the complete health of the College. The age and condition of its buildings and grounds are just a couple of the non-financial factors that could have an impact on the total health of the institution.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets use the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. Revenues and expenses of the current year are taken into account regardless of when cash is received or paid.

This section is intended to provide a narrative analysis that users need to interpret the basic financial statements.

Institutional Financial Highlights

The College's financial position increased slightly during the fiscal year ended June 30, 2014. Its combined net assets increased by \$542,594.84 or 4.34% from the previous year's restated balance.

Stanly County allocated the college a total of \$1,427,820 for operational and capital expenses, an increase of \$29,860 over the previous year. The College utilized \$1,267,820 of these funds for current operational expenses and \$160,000 for capital outlay expenses.

The College experienced a 6% decrease in full time equivalent curriculum students for the year ended June 30, 2014. Curriculum FTE earned during 2013-14 was 2174, down from 2309 earned during 2012-13. This decrease was similar to enrollment downturns statewide.

Stanly Community College Foundation (a discretely presented component unit) received donations in the amount of \$557,143 during the 2013 calendar year.

Condensed Statement of Net Assets

For Fiscal Years Ended June 30, 2014, and June 30, 2013

	2013-14	2012-13	% Change	Dollar Change
Current Assets	\$ 2,229,372.07	\$ 2,118,779.37	5.22%	\$ 110,592.70
Noncurrent assets	\$ -	\$ 33,138.78	100.00%	\$ (33,138.78)
Capital Assets	\$ 12,482,549.51	\$ 11,943,332.70	4.51%	\$ 539,216.81
Total Assets	<u>\$ 14,711,921.58</u>	<u>\$ 14,095,250.85</u>	<u>4.38%</u>	<u>\$ 616,670.73</u>
Current Liabilities	\$ 1,043,076.13	\$ 893,631.83	16.72%	\$ 149,444.30
Noncurrent Liabilities	\$ 625,324.77	\$ 700,693.18	-10.76%	\$ (75,368.41)
Total Liabilities	<u>\$ 1,668,400.90</u>	<u>\$ 1,594,325.01</u>	<u>4.65%</u>	<u>\$ 74,075.89</u>
Net Assets:				
Invested in Capital Assets	\$ 12,451,493.05	\$ 11,881,219.55	4.80%	\$ 570,273.50
Restricted	\$ 171,206.03	\$ 343,858.67	-50.21%	\$ (172,652.64)
Unrestricted	\$ 420,821.60	\$ 275,847.62	52.56%	\$ 144,973.98
Total Net Assets	<u><u>\$ 13,043,520.68</u></u>	<u><u>\$ 12,500,925.84</u></u>	<u><u>4.34%</u></u>	<u><u>\$ 542,594.84</u></u>

Net Assets increased by \$542,594.84. Current Assets increased by \$110,592.70, primarily in the area of Accounts Receivable. Inventories decreased slightly. Total assets increased by \$616,670.73 due to the receipt of previously allocated Capital Project funds. Capital assets increased by \$539,216.81 primarily due to the acquisition of equipment as well as ongoing construction projects during the year. Current liabilities increased by \$149,444.30, primarily due to increases in Accounts Payable and Accrued Payroll. Non-current liabilities decreased \$75,368.41.

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2014, and June 30, 2013**

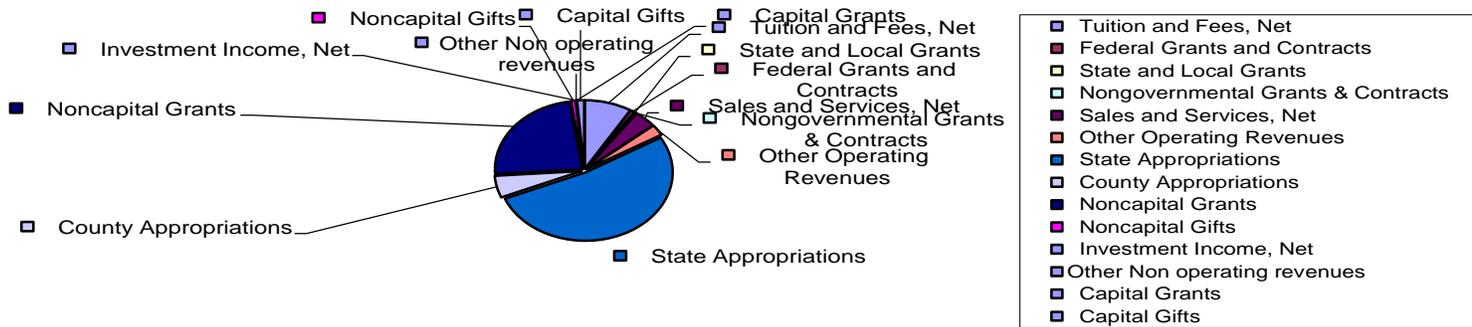
	<u>2013-14</u>	<u>2012-13</u>	<u>% Change</u>	<u>Dollar Change</u>
Operating Revenues:				
Tuition and Fees, Net	\$ 2,129,460.12	\$ 2,253,279.42	-5.50%	\$ (123,819.30)
Federal Grants and Contracts	\$ 184,121.85	\$ 48,286.88	281.31%	\$ 135,834.97
State and Local Grants	\$ 39,211.13	\$ 17,853.21	119.63%	\$ 21,357.92
Nongovernmental Grants & Contracts	\$ 59,694.60	\$ -	N/A	\$ 59,694.60
Sales and Services, Net	\$ 994,439.46	\$ 968,999.55	2.63%	\$ 25,439.91
Other Operating Revenues	\$ 638,260.27	\$ 478,278.72	33.45%	\$ 159,981.55
Total Operating Revenues	\$ 4,045,187.43	\$ 3,766,697.78	7.39%	\$ 278,489.65
Total Operating Expenses	\$ 24,655,651.15	\$ 25,086,036.32	-1.72%	\$ (430,385.17)
Operating Loss	\$ (20,610,463.72)	\$ (21,319,338.54)	-3.33%	\$ 708,874.82
Nonoperating Revenues:				
State Appropriations	\$ 12,770,923.49	\$ 13,425,050.14	-4.87%	\$ (654,126.65)
County Appropriations	\$ 1,267,820.00	\$ 1,242,960.00	2.00%	\$ 24,860.00
Noncapital Grants	\$ 5,813,201.64	\$ 6,194,177.75	-6.15%	\$ (380,976.11)
Noncapital Gifts	\$ 205,537.10	\$ 107,853.33	90.57%	\$ 97,683.77
Investment Income, Net	\$ 323.19	\$ 513.80	-37.10%	\$ (190.61)
Other Nonoperating Revenues, Net	\$ 34,448.91	\$ 31,598.61	9.02%	\$ 2,850.30
Net Nonoperating Revenues	\$ 20,092,254.33	\$ 21,002,153.63	-4.33%	\$ (909,899.30)
Loss Before Other Revenues	\$ (518,209.39)	\$ (317,184.91)	63.38%	\$ (201,024.48)
State Capital Appropriations	\$ 571,772.42	\$ 742,838.91	-23.03%	\$ (171,066.49)
County Capital Appropriations	\$ 160,000.00	\$ 155,000.00	3.23%	\$ 5,000.00
Capital Grants	\$ 9,411.49	\$ -	N/A	\$ 9,411.49
Capital Gifts	\$ 319,620.32	\$ 108,823.63	193.70%	\$ 210,796.69
Increase in Net Assets	\$ 542,594.84	\$ 689,477.63	-21.30%	\$ (146,882.79)
Net Assets Beginning of Year	\$ 12,500,925.84	\$ 11,811,448.21	5.84%	\$ 689,477.63
Net Assets - End of Year	\$ 13,043,520.68	\$ 12,500,925.84	4.34%	\$ 542,594.84

Operating revenues increased by \$278,489.65, or 7.39%, primarily due to the increase in grants and other operating revenues. Tuition and fee income decreased by \$123,819.30. Sales and Services income increased by \$25,439.91, and Other Operating Revenues increased by \$159,981.55. The Tuition and fee income decrease was due to the decrease in enrollment. The increase in Sales and Services represents the new operation of a food service operation at the College. Federal grants and contracts increased by \$135,834.97 and State and Local Grants increased by \$21,357.92. Non-Operating revenues increased by \$12,945.70 primarily due to increases in non-capital gifts over the previous year. Operating expenses decreased by \$430,385.17 or -1.72%, primarily in all areas except Utilities and Depreciation, which increased somewhat. This resulted in a favorable decrease in operating loss of \$708,874.82 or -3.33%.

Revenues

Total revenues for fiscal year ended June 30, 2014, were \$25,198,245.99 while total revenues for June 30, 2013 were \$25,775,513.95. The decrease of \$577,267.96 or 2.2% is described above, and is closely tied to the decrease in enrollment.

The following chart depicts graphically the revenues of the College's activities for the fiscal year:

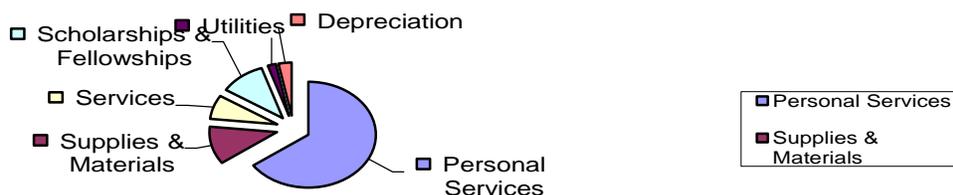


Expenditures

The following chart represents expenses of Stanly Community College by activities for the fiscal year:

Operating Expenses By Function	2013-14	2012-13	% Change	Increase (Decrease)
Personal Services	16,054,901.26	\$ 16,495,097.96	-3%	\$ (440,196.70)
Supplies & Materials	2,841,055.69	\$ 2,861,635.00	-1%	\$ (20,579.31)
Services	1,815,537.36	\$ 1,839,793.16	-1%	\$ (24,255.80)
Scholarships & Fellowships	2,687,656.65	\$ 2,972,965.76	-10%	\$ (285,309.11)
Utilities	489,854.39	\$ 470,469.96	4%	\$ 19,384.43
Depreciation	766,645.80	\$ 446,074.48	72%	\$ 320,571.32
Total Operating Expenses	24,655,651.15	\$ 25,086,036.32	-2%	\$ (430,385.17)

The following is a graphic illustration of total operating expenses for June 30, 2014:



Capital Assets

At June 30, 2014, the College's capital assets totaled \$12,482,549.51, net of accumulated depreciation of \$9,780,086.53. This balance was greater than the \$11,943,332.70 in capital assets shown on the College's June 30, 2013 financial statements. The increase is primarily due to additional equipment purchases, as well as an increase in construction activity. Details of capital assets at June 30, 2014, and June 30, 2013, are shown below.

	<u>2013-14</u>	<u>2012-13</u>	<u>Dollar Change</u>
Capital Assets, Nondepreciable:			
Land	\$ 705,187.38	\$ 705,187.38	\$ -
Construction In Progress	\$ 328,825.89	\$ 424,733.69	\$ (95,907.80)
Total Capital Assets, Nondepreciable	<u>\$ 1,034,013.27</u>	<u>\$ 1,129,921.07</u>	<u>\$ (95,907.80)</u>
Capital Assets, Depreciable (Net):			
Buildings	\$ 8,335,415.38	\$ 7,887,832.34	\$ 447,583.04
General Infrastructure	\$ 658,701.80	\$ 718,048.66	\$ (59,346.86)
Machinery and Equipment	\$ 2,454,419.06	\$ 2,207,530.63	\$ 246,888.43
Total Capital Assets, Depreciable (Net)	<u>\$ 11,448,536.24</u>	<u>\$ 10,813,411.63</u>	<u>\$ 635,124.61</u>
Total Capital Assets	<u><u>\$ 12,482,549.51</u></u>	<u><u>\$ 11,943,332.70</u></u>	<u><u>\$ 539,216.81</u></u>

Analysis of the Overall Financial Position

Stanly Community College continues to be a viable component of education in Stanly County. Program offerings are continually reviewed to provide for the education needs of the County. Grant funds are constantly being sought to assist with funding of new programs and initiatives.

Stanly Community College is well positioned to meet the needs of its growing community. The College strives to maintain a strong financial base and will continue to be an asset to its service area for many years.

Economic Factors that Will Affect the Future

The economic position of the College is closely tied to that of the State and to a lesser degree, the County. The College received its 2014-2015 net State budget allocation of \$17,038,647 in August 2014. This represented a decrease of \$241,052 or 1.4%, from the previous year's initial net allocation. This net allocation reflected the fact that Colleges were instructed to immediately revert a portion of their formula budget (less projected receipts) as a Management Flexibility Reduction. For Stanly Community College, this reversion amounted to \$758,734, and is reflected in the net amount above. Additionally, Colleges were advised by NCCCS to hold in reserve 2% of their budget for possible reversion, in the event of declines in State revenues during the year. Stanly Community College experienced enrollment decline of 6% for the 2013-14 academic year. FTE enrollment for Fall 2014 is anticipated to decline by an additional 1%.

The College received county appropriations of \$1,465,498 for 2013-2014. This increase was made to allow the College to make energy efficient repairs, thus reducing future operational costs.

Stanly Community College has begun several other new initiatives as well. Construction was completed on the Signature Campus project at the Crutchfield Campus in Locust. Renovations to the Advanced Manufacturing & Industrial Training Center were begun in May, 2014, in order to expand the welding, machining and HVAC programs.

Despite the economic downturn that has impacted all of the Community Colleges, Stanly Community College continues to provide much needed training and course offerings in a diverse range of course offerings.

Stanly Community College
Statement of Net Position
June 30, 2014

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	829,313.73
Restricted Cash and Cash Equivalents		337,544.27
Receivables, Net (Note 3)		813,774.33
Inventories		248,739.74

Total Current Assets 2,229,372.07

Noncurrent Assets:

Capital Assets - Nondepreciable (Note 4)		1,034,013.27
Capital Assets - Depreciable, Net (Note 4)		11,448,536.24

Total Noncurrent Assets 12,482,549.51

Total Assets 14,711,921.58

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources		<u>0.00</u>
--------------------------------	--	-------------

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

Stanly Community College
Statement of Net Position
June 30, 2014

Exhibit A-1
Page 2 of 2

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	546,240.51
Unearned Revenue	297,898.33
Funds Held for Others	128,955.79
Long-Term Liabilities - Current Portion (Note 6)	69,981.50

Total Current Liabilities	<u>1,043,076.13</u>
---------------------------	---------------------

Noncurrent Liabilities:

Long-Term Liabilities (Note 6)	<u>625,324.77</u>
--------------------------------	-------------------

Total Noncurrent Liabilities	<u>625,324.77</u>
------------------------------	-------------------

Total Liabilities	<u>1,668,400.90</u>
-------------------	---------------------

DEFERRED INFLOWS OF RESOURCES

Total Deferred Inflows of Resources	<u>0.00</u>
-------------------------------------	-------------

NET POSITION

Net Investment in Capital Assets	12,451,493.05
----------------------------------	---------------

Restricted for:

Expendable:

Scholarships and Fellowships	8,882.91
Loans	10,931.85
Capital Projects	45,545.62
Restricted for Specific Programs	
Other	105,845.65

Unrestricted	<u>420,821.60</u>
--------------	-------------------

Total Net Position	<u><u>\$ 13,043,520.68</u></u>
--------------------	--------------------------------

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

Stanly 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 8)	\$ 2,129,460.12
Federal Grants and Contracts	184,121.85
State and Local Grants and Contracts	39,211.13
Nongovernmental Grants and Contracts	59,694.60
Sales and Services, Net (Note 8)	994,439.46
Other Operating Revenues	638,260.27

Total Operating Revenues	4,045,187.43
--------------------------	--------------

EXPENSES

Operating Expenses:

Salaries and Benefits	16,054,901.26
Supplies and Materials	2,841,055.69
Services	1,815,537.36
Scholarships and Fellowships	2,687,656.65
Utilities	489,854.39
Depreciation/ Amortization	766,645.80

Total Operating Expenses	24,655,651.15
--------------------------	---------------

Operating Loss	(20,610,463.72)
----------------	-----------------

NONOPERATING REVENUES

State Aid	12,770,923.49
County Appropriations	1,267,820.00
Noncapital Grants - Student Financial Aid	
Noncapital Grants	5,813,201.64
Noncapital Gifts, Net (Note 8)	205,537.10
Investment Income	323.19
Other Nonoperating Revenues	34,448.91

Net Nonoperating Revenues	20,092,254.33
---------------------------	---------------

Loss Before Other Revenues, Expenses, Gains, and Losses	(518,209.39)
---	--------------

State Capital Aid	571,772.42
County Capital Aid	160,000.00
Capital Grants	9,411.49
Capital Gifts, Net (Note 8)	319,620.32

Increase in Net Position	542,594.84
--------------------------	------------

NET POSITION

Net Position, July 1, 2013	12,500,925.84
----------------------------	---------------

Net Position, June 30, 2014	\$ 13,043,520.68
-----------------------------	------------------

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

Stanly 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	\$ 4,139,787.38
Payments to Employees and Fringe Benefits	(16,285,423.30)
Payments to Vendors and Suppliers	(4,699,952.19)
Payments for Scholarships and Fellowships	(2,687,656.65)
Other Receipts	47,188.11
	<hr/>
Net Cash Used by Operating Activities	(19,486,056.65)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	12,770,923.49
County Appropriations	1,267,820.00
Noncapital Grants - Student Financial Aid	5,813,201.64
Noncapital Grants	(288,561.86)
Noncapital Gifts and Endowments	205,537.10
	<hr/>
Net Cash Provided by Noncapital Financing Activities	19,768,920.37

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	604,911.20
County Capital Aid	160,000.00
Capital Grants	9,411.49
Capital Gifts	319,620.32
Acquisition and Construction of Capital Assets	(1,323,908.01)
Principal Paid on Capital Debt and Leases	(31,056.69)
	<hr/>
Net Cash Used by Capital and Related Financing Activities	(261,021.69)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	323.19
	<hr/>
Net Cash Provided by Investing Activities	323.19

Net Increase in Cash and Cash Equivalents	22,165.22
Cash and Cash Equivalents, July 1, 2013	1,144,692.78
	<hr/>
Cash and Cash Equivalents, June 30, 2014	\$ 1,166,858.00

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

Stanly 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	\$ (20,610,463.72)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/ Amortization Expense	766,645.80
Nonoperating Other Income	44,544.31
Changes in Assets and Liabilities:	
Receivables, Net	(101,158.59)
Inventories	3,232.58
Accounts Payable and Accrued Liabilities	242,846.37
Unearned Revenue	195,758.54
Funds Held for Others	2,643.80
Compensated Absences	(30,105.74)
	<hr/>
Net Cash Used by Operating Activities	<u><u>\$ (19,486,056.65)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 829,313.73
Restricted Cash and Cash Equivalents	337,544.27
	<hr/>
Total Cash and Cash Equivalents - June 30, 2014	<u><u>\$ 1,166,858.00</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Loss on Disposal of Capital Assets	(10,095.40)
------------------------------------	-------------

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

Stanly Community College Foundation, Inc.
Statement of Financial Position
December 31, 2013

Exhibit B-1

SCC Foundation, Inc.

ASSETS

Cash and Cash Equivalents	\$	430,217.00
Investments		1,905,070.00
Receivables, Net		7,614.00
Pledges Receivable/Promises		2,025.00
Property and Equipment, Net		<u>1,066,595.00</u>
Total Assets		<u>3,411,521.00</u>

LIABILITIES

Accounts Payable and Accrued Expenses		<u>390.00</u>
Total Liabilities		<u>390.00</u>

NET ASSETS

Unrestricted		564,358.00
Temporarily Restricted		1,533,027.00
Permanently Restricted		<u>1,313,746.00</u>
Total Net Assets	\$	<u><u>3,411,131.00</u></u>

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

Stanly Community College Foundation, Inc.
Statement of Activities
For the Year Ended December 31, 2013

Exhibit B-2

SCC Foundation, Inc.

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and Gains:

Contributions	\$ 14,646.00
Fees	11,223.00
Income on Long-Term Investments	1,468.00
Other Investment Income	27.00
Other	275.00

Total Unrestricted Revenues and Gains	27,639.00
---------------------------------------	-----------

Net Assets Released from Restrictions:

Satisfaction of Program Restrictions	255,213.00
--------------------------------------	------------

Total Net Assets Released from Restrictions	255,213.00
---	------------

Total Unrestricted Revenues, Gains, and Other Support	282,852.00
---	------------

Expenses and Losses:

Program Services	271,305.00
Management and General	29,743.00
Fund Raising	1,852.00

Total Expenses and Losses	302,900.00
---------------------------	------------

Decrease in Unrestricted Net Assets	(20,048.00)
-------------------------------------	-------------

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions	532,497.00
Other	52,582.00
Income on Long-Term Investments	260,219.00

Net Assets Released from Restrictions:

Satisfaction of Program Restrictions	1,952.00
--------------------------------------	----------

Increase in Temporarily Restricted Net Assets	847,250.00
---	------------

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

Stanly Community College Foundation, Inc.
Statement of Activities
For the Year Ended December 31, 2013

	<u>SCC Foundation, Inc.</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	
Contributions	10,000.00
Net Unrealized and Realized Losses on Long-Term Investments	<u>(257,165.00)</u>
 (Decrease) in Permanently Restricted Net Assets	 <u>(247,165.00)</u>
Increase in Net Assets	580,037.00
Net Assets at Beginning of Year	<u>2,831,094.00</u>
Net Assets at End of Year	<u><u>\$ 3,411,131.00</u></u>

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

STANLY COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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. Stanly Community College (the "College" or "SCC") 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 units for which the College's Board of Trustees is financially accountable. The College's component units are either blended or discretely presented in the College's financial statements.

Financial statements for the College and its blended and discretely presented component units are presented as of and for the fiscal year ended June 30, 2014, except for Stanly Community College Foundation, Inc., whose financial statements are as of and for the fiscal year ended December 30, 2013.

Discretely Presented Component Unit – The Stanly Community College Foundation, Inc. is a legally separate, tax-exempt component unit of 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 30 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 Stanly 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 \$518,468.77 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Rebecca Wall, Treasurer, Stanly Community College Foundation, Inc., 141 College Drive, Albemarle, NC 28001.

- 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, cash on deposit with private bank accounts, savings accounts, money market accounts, and deposits held by the State Treasurer in the short-term investment fund (STIF).

The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.

- E. Investments** - Investments generally are reported at fair value, as determined by quoted market prices or estimated amounts determined by management if quoted market prices are not available. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments. The net increase (decrease) in the fair value of investments is recognized as a component of investment income.
- 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, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.
- G. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using either first-in, first-out, last invoice cost, or average cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory 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 except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater.

Depreciation is computed using the straight-line and/or units of output method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 100 years for buildings, and 2 to 30 years for equipment, and 2 to 30 years for computer software.

- 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, resources whose use is limited by external parties or statute, and endowment and other restricted investments.
- J. **Noncurrent Long-Term Liabilities** - Noncurrent long-term liabilities include notes payable, capital leases payable and compensated absences payable 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 July 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 June 30 plus the leave earned, less the leave taken between July 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 June 30 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

There is no liability for unpaid accumulated sick leave because the College has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

- L. **Net Position** - The College's net position is classified as follows:

Net Investment in Capital Assets - This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

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

Unrestricted Net Position - Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

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

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

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. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as the College Bookstore.

In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

- P. 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 by the College.

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, 2014 was \$1,475.00.

The carrying amount of the College's deposits not with the State Treasurer, including certificates of deposit, was \$1,162,271.31, and the bank balance was \$1,309,933.56.

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.

- B. Investments** - 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.

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.

At June 30, 2014, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$3,111.69, which represents the College's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.3 years as of June 30, 2014. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are 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.

Component Units - Investments of the College's discretely presented component unit, the Stanly Community College Foundation, Inc. is 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 Stanly Community College Foundation, Inc. reports under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

	Gross Cost	Fair Value	Carrying Value
Cash & Cash Equivalents	\$ 47,924.17	\$ 47,924.17	\$ 47,924.17
Equity Mutual Funds	1,297,250.95	1,297,250.95	1,297,250.95
Fixed Income Funds	559,895.46	559,895.46	559,895.46
Total Investments	<u>\$ 1,905,070.58</u>	<u>\$ 1,905,070.58</u>	<u>\$ 1,905,070.58</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	\$	1,475.00
Carrying Amount of Deposits with Private Financial Institutions		1,162,271.31
Investments in the Short-Term Investment Fund		3,111.69
Other Investments		<u> </u>
Total Deposits and Investments	\$	<u>1,166,858.00</u>
Current:		
Cash and Cash Equivalents	\$	826,202.04
Restricted Cash and Cash Equivalents		337,544.27
Short-Term Investments		<u>3,111.69</u>
Total Deposits and Investments	\$	<u>1,166,858.00</u>

NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 559,540.25	\$ 52,442.07	\$ 507,098.18
Student Sponsors	41,380.65	0.00	41,380.65
Accounts	214,220.29	38,841.76	175,378.53
Intergovernmental	19,364.45	0.00	19,364.45
Other	<u>70,552.52</u>	<u>0.00</u>	<u>70,552.52</u>
Total Current Receivables	<u>\$ 905,058.16</u>	<u>\$ 91,283.83</u>	<u>\$ 813,774.33</u>
Noncurrent Receivables:			
Intergovernmental	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Total Noncurrent Receivables	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</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, 2014	Increases	Decreases	Balance June 30, 2014
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 705,187.38	\$ 0.00	\$ 0.00	\$ 705,187.38
Construction in Progress	424,733.69	428,829.13	524,736.93	328,825.89
Total Capital Assets, Nondepreciable	1,129,921.07	428,829.13	524,736.93	1,034,013.27
Capital Assets, Depreciable:				
Buildings	14,596,698.59	855,116.02	0.00	15,451,814.61
Machinery and Equipment	3,547,697.42	556,749.79	35,342.94	4,069,104.27
General Infrastructure	1,707,703.89	0.00	0.00	1,707,703.89
Total Capital Assets, Depreciable	19,852,099.90	1,411,865.81	35,342.94	21,228,622.77
Less Accumulated Depreciation/Amortization for:				
Buildings	6,708,866.25	407,532.98	0.00	7,116,399.23
Machinery and Equipment	1,340,166.79	299,765.96	25,247.54	1,614,685.21
General Infrastructure	989,655.23	59,346.86	0.00	1,049,002.09
Total Accumulated Depreciation/Amortization	9,038,688.27	766,645.80	25,247.54	9,780,086.53
Total Capital Assets, Depreciable, Net	10,813,411.63	645,220.01	10,095.40	11,448,536.24
Capital Assets, Net	\$ 11,943,332.70	\$ 1,074,049.14	\$ 534,832.33	\$ 12,482,549.51

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	\$ 303,552.61
Accrued Payroll	212,158.54
Intergovernmental Payables	30,529.36
Total Current Accounts Payable and Accrued Liabilities	\$ 546,240.51

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
Capital Leases Payable	\$ 62,113.15	\$ 2,787.38	\$ 33,844.07	\$ 31,056.46	\$ 31,056.46
Compensated Absences	694,355.55	417,944.25	448,049.99	664,249.81	38,925.04
Total Long-Term Liabilities	\$ 756,468.70	\$ 420,731.63	\$ 481,894.06	\$ 695,306.27	\$ 69,981.50

Additional information regarding capital lease obligations is included in Note 7.

NOTE 7 - LEASE OBLIGATIONS

A. Capital Lease Obligations - Capital lease obligations relating to technology equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2014:

Fiscal Year	Amount
2015	\$ 33,843.84
2016	-
2017	-
2018	-
2019	-
Total Minimum Lease Payments	33,843.84
Amount Representing Interest (3.75% Rate of Interest)	2,787.38
Present Value of Future Lease Payments	\$ 31,056.46

Depreciation for the capital assets associated with capital leases is included in depreciation expense.

B. Operating Lease Obligations - The College entered into operating leases for equipment and facilities. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2014:

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 101,074.65
2016	61,925.77
2017	5,100.00
2018	5,100.00
2019	5,100.00
2020-2024	20,400.00
2025-2029	-
2030-2034	-
2035-2039	\$ -
Total Minimum Lease Payments	\$ 198,700.42

Rental expense for all operating leases during the year was \$151,556.34.

NOTE 8 - REVENUES

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

	Gross Revenues	Sales Eliminations	Scholarship Discounts	Allowance for Uncollectibles*	Contractual Adjustments	Net Revenues
Operating Revenues:						
Student Tuition and Fees	\$ 3,159,663.33	\$ 0.00	\$ 960,762.97	\$ 69,440.24	\$ 0.00	\$ 2,129,460.12
Sales and Services:						
Sales and Services of Auxiliary Enterprises:						
Dining	\$ 91,738.98	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 91,738.98
Bookstore	1,827,037.42		1,070,634.32	22,236.63	0.00	734,166.47
Other	168,974.63			440.62	0.00	168,534.01
Total Sales and Services	\$ 2,087,751.03	\$ 0.00	\$ 1,070,634.32	\$ 22,677.25	\$ 0.00	\$ 994,439.46
Nonoperating - Noncapital Gifts	\$ 205,537.10	\$	\$	\$	\$	\$ 205,537.10
Capital Gifts	\$ 319,620.32	\$	\$	\$	\$	\$ 319,620.32

* Note: The Allowance for Uncollectibles is equivalent to the change in the Allowance for Doubtful Accounts, excluding items such as direct write-offs.

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/Amortization	Total
Instruction	\$ 9,161,857.73	\$ 886,238.47	\$ 400,454.25	\$ (78,977.51)	\$ 52,456.76	\$ 0.00	\$ 10,422,029.70
Academic Support	1,951,046.67	54,465.06	126,118.45	0.00	2,500.00	0.00	2,134,130.18
Student Services	1,223,679.73	37,438.35	106,401.25	(2,010,668.54)	0.00	0.00	(643,149.21)
Institutional Support	2,937,137.28	265,640.11	837,473.98	(4,839.62)	0.00	0.00	4,035,411.75
Operations/Maintenance of Plant	472,919.76	189,484.77	176,117.34	0.00	404,397.63	0.00	1,242,919.50
Student Financial Aid	0.00	0.00	11,678.96	5,781,780.34	0.00	0.00	5,793,459.30
Auxiliary Enterprises	308,260.09	1,407,788.93	157,293.13	(999,638.02)	30,500.00	0.00	904,204.13
Depreciation/Amortization	0.00	0.00	0.00	0.00	0.00	766,645.80	766,645.80
Total Operating Expenses	\$ 16,054,901.26	\$ 2,841,055.69	\$ 1,815,537.36	\$ 2,687,656.65	\$ 489,854.39	\$ 766,645.80	\$ 24,655,651.15

NOTE 10 - 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 \$12,494,656.59, of which \$10,064,521.53 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were (A) \$1,478,474.50 and (B) \$603,871.12, 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 \$2,082,345.62, \$1,458,195.59, and \$1,388,911.20, respectively.

Effective January 1, 2014, the Qualified Excess Benefit Arrangement (QEBA) was established and placed under the management of the Board of Trustees of the TSERS. Per North Carolina General Statute 135-151, the purpose of the QEBA is solely to provide the part of a retirement allowance or benefit that would otherwise have been payable by TSERS except for the limitations under section 415(b) of the Internal Revenue Code. For the year ended June 30, 2014, the employer contribution for the supplemental benefit payable to members of the TSERS was .01% of covered payroll, or (C) \$1,066.46.

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.

- (A) 8.69% of TSERS covered payroll
- (B) 6% of TSERS covered payroll
- (C) .01% of TSERS covered payroll

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

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

The Plan's benefit and contribution provisions are established by 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 \$543,484.17, \$539,318.95, and \$517,460.43, 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 \$44,283.90, \$44,773.65, and \$53,815.88, 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 13 - 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 purchased other authorized coverage from private insurance companies through the North Carolina Department of Insurance.

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.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Commitments - The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$186,413.83 and on other purchases were \$56,670.61 at June 30, 2014.

NOTE 15 - RELATED PARTIES

Foundation - The Stanly Community College Foundation, Inc. is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net position, or operational transactions of the Foundation, except for support from the Foundation. This support approximated \$518,468.77 for the year ended June 30, 2014.

The Foundation also provides the College with use of property and equipment located on the campus. The use of these assets is provided at no cost to the College.

NOTE 16 - AUDIT SERVICES

The number of hours used in conducting the audit and in preparation of the audit report were approximately 302, and the total cost of conducting the audit and preparing the audit report was \$17,200.00.



INDEPENDENT AUDITORS' 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

Members of the Board of Trustees
Stanly Community College
Albemarle, 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 Stanly 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 November 17, 2014. Our report includes a reference to other auditors who audited the financial statements of the Stanly Community College Foundation Inc., as described in our report on the College's financial statements. The financial statements of the Stanly 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 Stanly Community College Foundation Inc.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a 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.

LB&A, Certified Public Accountants, PLLC

November 17, 2014