



FINANCIAL STATEMENT REPORT

FOR THE YEAR ENDED JUNE 30, 2011



CENTRAL PIEDMONT
COMMUNITY COLLEGE

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
FINANCIAL STATEMENTS	
COLLEGE EXHIBITS	
A-1 STATEMENT OF NET ASSETS	8
A-2 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	10
A-3 STATEMENT OF CASH FLOWS.....	11
COMPONENT UNIT EXHIBITS	
B-1 STATEMENT OF FINANCIAL POSITION.....	13
B-2 STATEMENT OF ACTIVITIES	14
NOTES TO THE FINANCIAL STATEMENTS.....	15
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	34



Independent Auditors' Report

Members of the Board of Trustees
Central Piedmont Community College
Charlotte, North Carolina

We have audited the accompanying financial statements of the business-type activity and the discretely presented component unit of Central Piedmont Community College (the "College"), a component unit of the State of North Carolina, as of and for the year ended June 30, 2011 which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Central Piedmont Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity and the discretely presented component unit of the College as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2011, 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 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.

Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and accordingly, express no opinion on it.

Cherry Bekaert & Holland, C.C.P.A.

Charlotte, North Carolina
September 6, 2011

CENTRAL PIEDMONT COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Central Piedmont Community College (the "College") for the year ended June 30, 2011, with selected comparative information for the year ended June 30, 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes to the financial statements which follow this section.

The College is a comprehensive public two year college serving approximately 70,000 community residents annually and has approximately 2,700 full and part-time employees on six campuses in the Charlotte-Mecklenburg region of North Carolina. The College offers a broad range of college-transfer, associate and technical degree programs. The College is the largest community college in North Carolina, offering over 285 degree, diploma and certification programs, customized corporate training, market-focused continuing education, and special interest classes. The College consistently ranks among the leaders of community colleges nationally in terms of quality of academic offerings and workforce development.

Financial Highlights

The College's financial position remained strong as of June 30, 2011 with total assets of \$318,131,939.37 and total liabilities of \$23,854,589.62. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, totaled \$294,277,349.75. The increase in net assets was less than the fiscal 2010 increase due to a \$4,251,948.06 increase in part time salaries and benefits expense for faculty, an increase of \$1,248,071.97 for purchases of supplies and materials related to minor instructional equipment and an increase in Federal Financial Aid expense of \$4,086,963.42.

Changes in net assets represent the operating and nonoperating activity of the College, resulting from revenues, expenses, gains and losses and are summarized for the years ended June 30, 2011 and 2010 as follows:

	2011	2010 (as restated)	Difference
Operating revenues	\$ 27,251,956.74	\$ 24,895,601.97	\$ 2,356,354.77
Operating expenses	(157,271,814.07)	(145,407,041.53)	(11,864,772.54)
Net nonoperating revenues	128,762,666.67	116,032,700.60	12,729,966.07
Capital aid revenues	6,539,777.35	23,535,164.67	(16,995,387.32)
Increase in net assets	\$ 5,282,586.69	\$ 19,056,425.71	\$ (13,773,839.02)

CENTRAL PIEDMONT COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Using the Financial Statements

The College's financial report includes three financial statements:

- The Statement of Net Assets
- The Statement of Revenues, Expenses and Changes in Net Assets
- The Statement of Cash Flows

These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) principles.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities of the College. The difference between total assets and total liabilities, net assets, is one indicator of the current financial position of the College. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarized comparison of the College's assets, liabilities and net assets at June 30, 2011 and 2010 is presented below:

	2010		
Assets	2011	(as restated)	Difference
Current assets	\$ 28,706,141.66	\$ 22,478,786.93	\$ 6,227,354.73
Noncurrent assets:			
Capital assets	285,476,150.26	285,682,701.41	(206,551.15)
Other	3,949,647.45	1,811,530.65	2,138,116.80
Total assets	318,131,939.37	309,973,018.99	8,158,920.38
Liabilities			
Current liabilities	6,851,069.27	6,901,402.82	(50,333.55)
Noncurrent liabilities	17,003,520.35	14,076,853.11	2,926,667.24
Total liabilities	23,854,589.62	20,978,255.93	2,876,333.69
Net assets	<u>\$ 294,277,349.75</u>	<u>\$ 288,994,763.06</u>	<u>\$ 5,282,586.69</u>

The College's current assets increased 27.70% due to the timing of cash deposits for summer self supporting classes and an increase in activity in proprietary fund activities. Other noncurrent assets increased 118.03% due to receivables related to reimbursement due to the College for construction expenditures. Noncurrent liabilities increased 20.79% due primarily to a financial arrangement with a Financial Institution to finance the construction of services, systems and facilities designed to reduce energy consumption and costs in specific buildings owned and operated by the College.

CENTRAL PIEDMONT COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Assets

Net assets represent the residual interest in the College's assets after liabilities are deducted. The College's net assets at June 30, 2011 and 2010 are summarized below:

	2011	2010 (as restated)	Difference
Invested in capital assets, net of related debt	\$ 275,405,583.26	\$ 278,714,178.41	\$ (3,308,595.15)
Restricted expendable	4,022,739.08	4,093,029.94	(70,290.86)
Unrestricted	14,849,027.41	6,187,554.71	8,661,472.70
Total net assets	<u>\$ 294,277,349.75</u>	<u>\$ 288,994,763.06</u>	<u>\$ 5,282,586.69</u>

Invested in capital assets, net of related debt, represents the College's capital assets of \$285,476,150.26 and related debt of \$10,070,567.00.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the College's results of operations. Below is a summarized comparison of the College's revenues, expenses, and changes in net assets for the years ended June 30, 2011 and 2010:

	2011	2010 (as restated)	Difference
Operating Revenues:			
Student tuition and fees, net	\$ 20,230,143.99	\$ 18,764,515.53	\$ 1,465,628.46
Sales and services, and other	7,021,812.75	6,131,086.44	890,726.31
Total operating revenues	<u>27,251,956.74</u>	<u>24,895,601.97</u>	<u>2,356,354.77</u>
Operating expenses	<u>157,271,814.07</u>	<u>145,407,041.53</u>	<u>11,864,772.54</u>
Operating loss	(130,019,857.33)	(120,511,439.56)	(9,508,417.77)
Nonoperating and other revenues (expenses)			
State aid	57,415,189.23	52,033,581.59	5,381,607.64
County appropriations	23,900,000.00	24,003,028.00	(103,028.00)
Noncapital grants and gifts	47,234,017.26	39,170,267.64	8,063,749.62
Capital contributions	6,539,777.35	23,535,164.67	(16,995,387.32)
Interest on capital asset related debt	(344,067.93)	(290,929.58)	(53,138.35)
Net interest income	176,530.73	259,294.63	(82,763.90)
Other nonoperating revenue	380,997.38	857,458.32	(476,460.94)
Net nonoperating revenues	<u>135,302,444.02</u>	<u>139,567,865.27</u>	<u>(4,265,421.25)</u>
Increase in net assets	<u>5,282,586.69</u>	<u>19,056,425.71</u>	<u>(13,773,839.02)</u>
Net assets, beginning of year	<u>288,994,763.06</u>	<u>269,938,337.35</u>	<u>19,056,425.71</u>
Net assets, end of year	<u>\$ 294,277,349.75</u>	<u>\$ 288,994,763.06</u>	<u>\$ 5,282,586.69</u>

CENTRAL PIEDMONT COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

One of the College's strengths is its alternative sources of revenues. Gifts and appropriations from Federal, County and State sources supplement student tuition and fees. The College will continue to aggressively seek alternative funding from those sources. This is consistent with its mission to provide affordable student tuition and to prudently manage financial resources for current and strategic operations.

While tuition and State appropriations fund a large percentage of College costs, private support has been, and will continue to be essential.

The College continues to make revenue diversification, along with cost containment, an ongoing effort. This is necessary as the College continues to face financial pressures, particularly in the areas of compensation and benefits, energy and technology costs.

Tuition and State appropriations are the primary sources of funding for the College's academic programs. County capital aid decreased 88.47% due to financial pressures that caused the County to decrease capital funding to the College and the completion of two significant construction projects during the fiscal year.

A comparison of expenses by object classification is as follows:

Operating expenses:	2011	2010	Difference
Salaries and benefits	\$ 92,443,328.01	\$ 88,191,379.95	\$ 4,251,948.06
Supplies and materials	10,006,784.63	8,758,712.66	1,248,071.97
Services	15,910,955.30	14,287,156.41	1,623,798.89
Scholarships and fellowships	27,955,418.65	23,868,455.23	4,086,963.42
Utilities	3,604,500.95	3,705,166.92	(100,665.97)
Depreciation	7,350,826.53	6,596,170.36	754,656.17
Total operating expenses	<u>\$ 157,271,814.07</u>	<u>\$ 145,407,041.53</u>	<u>\$ 11,864,772.54</u>

Scholarships and fellowships expense increased 17.12% due primarily to an increase in Federal Financial Aid.

CENTRAL PIEDMONT COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

In addition to natural (object) classification, it is also informative to review operating expenses by function. A comparative summary of the College's expense of functional classification for the years ended June 30, 2011 and 2010 follows:

Operating expenses:	2011	2010	Difference
Instruction	\$ 63,072,040.85	\$ 57,763,784.29	\$ 5,308,256.56
Academic support	5,646,771.60	4,487,897.24	1,158,874.36
Student services	8,030,976.95	8,747,673.76	(716,696.81)
Institutional support	21,439,607.54	19,326,046.83	2,113,560.71
Plant oper. & maint.	17,113,265.83	18,069,592.53	(956,326.70)
Student financial aid	27,651,152.91	23,665,350.73	3,985,802.18
Auxiliary services and other	6,967,171.86	6,750,525.79	216,646.07
Depreciation	7,350,826.53	6,596,170.36	754,656.17
Total operating expenses	<u>\$ 157,271,814.07</u>	<u>\$ 145,407,041.53</u>	<u>\$ 11,864,772.54</u>

Instructional expenses increased 9.19% due to purchases of minor instructional equipment. Student financial aid expense increased 16.84% due primarily to the increase in Federal Financial Aid.

Capital Activities

The College had limited activity during fiscal 2011 with respect to completing extensive building and building improvements in accordance with its Strategic Plan. Using proceeds from State and County sponsored bond issuances; the College expended \$6,394,577.35 on capital asset projects in 2011 as compared to \$22,279,001.69 in 2010. Capital asset projects primarily are comprised of replacement and renovation of existing buildings and new construction of academic and administrative facilities. Current construction in progress totals \$4,938,052.29

Economic Factors that will Affect the Future

Looking into the future, management believes the College is well positioned to continue its strong financial condition and level of excellence to the community. A critical element to the College's future will continue to be our relationship with the State of North Carolina, as we work together to manage tuition costs while simultaneously providing a quality college education. There is a direct relationship between the growth of State and County support and the College's ability to expand and meet the needs of Mecklenburg County's citizens as declines in State and County appropriations generally result in tuition increases. While the State of North Carolina continues to enthusiastically support the Community College System, economic pressures affecting the State may also affect the State's future support of the college.

Because of the uncertainty surrounding the State's economy, the College has been advised by the State to withhold 5.28% from its budget allocations for reversion in fiscal year 2012 along with a 2.00% potential reversion. Alternatively, the County has implemented an 8.37% budget increase for the College in 2012 after a 2.42% decrease in 2011. The County increase for fiscal 2012

**CENTRAL PIEDMONT COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

remains below fiscal 2009 funding level. Thus, the College has adjusted its respective budgets accordingly.

Effective July 1, 2011, the North Carolina General Assembly increased the in-state tuition rate for community college students to \$66.50 per credit hour from \$56.50 per credit hour and the out-of-state tuition rate to \$258.50 per credit hour from \$248.50 per credit hour.

The College will continue to execute its long-range plan to modernize and expand its campus infrastructure and facilities. Authorized cost to complete construction and other projects totaled \$41,000,000.00 at June 30, 2011. Funding for these projects has already been approved.

While it is not possible to precisely predict future results, management believes that the College's financial position is strong enough to withstand economic uncertainties as it moves into the future.

Central Piedmont Community College
Statement of Net Assets
June 30, 2011

Exhibit A-1
Page 1 of 2

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 23,354,754.72
Restricted Cash and Cash Equivalents	706,073.65
Receivables, Net (Note 3)	3,056,563.72
Due from Community College Component Unit	53,974.76
Funds Held by the Community College Component Unit	629,250.64
Inventories	655,524.17
Prepaid Items	250,000.00

Total Current Assets	<u>28,706,141.66</u>
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	1,571,138.54
Receivables, Net (Note 3)	2,077,493.56
Restricted Due from Primary Government	65,077.55
Prepaid Rent	229,166.67
Notes Receivable, Net	6,771.13
Capital Assets - Nondepreciable (Note 4)	20,209,523.52
Capital Assets - Depreciable, Net (Note 4)	<u>265,266,626.74</u>

Total Noncurrent Assets	<u>289,425,797.71</u>
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Total Assets	<u>318,131,939.37</u>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	2,887,942.48
Unearned Revenue	2,329,430.32
Funds Held for Others	403,925.58
Long-Term Liabilities - Current Portion (Note 6)	<u>1,229,770.89</u>

Total Current Liabilities	<u>6,851,069.27</u>
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Noncurrent Liabilities:

Unearned Revenue	1,916,666.00
Long-Term Liabilities (Note 6)	<u>15,086,854.35</u>

Total Noncurrent Liabilities	<u>17,003,520.35</u>
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Total Liabilities	<u>23,854,589.62</u>
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Central Piedmont Community College
Statement of Net Assets
June 30, 2011

Exhibit A-1
Page 2 of 2

NET ASSETS

Invested in Capital Assets, Net of Related Debt	275,405,583.26
Restricted for:	
Expendable:	
Loans	13,522.00
Capital Projects	3,443,995.66
Other	565,221.42
Unrestricted	<u>14,849,027.41</u>
Total Net Assets	<u><u>\$ 294,277,349.75</u></u>

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

Central Piedmont Community College
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2011

Exhibit A-2

REVENUES

Operating Revenues (Note 8):	
Student Tuition and Fees, Net	\$ 20,230,143.99
Sales and Services, Net	6,841,748.86
Other Operating Revenues	180,063.89
	<hr/>
Total Operating Revenues	27,251,956.74
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EXPENSES

Operating Expenses (Note 10):	
Salaries and Benefits	92,443,328.01
Supplies and Materials	10,006,784.63
Services	15,910,955.30
Scholarships and Fellowships	27,955,418.65
Utilities	3,604,500.95
Depreciation/ Amortization	7,350,826.53
	<hr/>
Total Operating Expenses	157,271,814.07
	<hr/>
Operating Loss	(130,019,857.33)
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NONOPERATING REVENUES (EXPENSES)

State Aid	57,415,189.23
County Appropriations	23,900,000.00
Noncapital Grants - Federal Student Financial Aid	38,270,835.05
Noncapital Grants	7,873,969.34
Noncapital Gifts, Net	1,089,212.87
Interest Income, Net	176,530.73
Interest and Fees on Debt	(344,067.93)
Other Nonoperating Revenues	380,997.38
	<hr/>
Net Nonoperating Revenues	128,762,666.67
	<hr/>
Loss Before Other Revenues, Expenses, Gains, and Losses	(1,257,190.66)
	<hr/>
State Capital Aid	4,199,847.41
County Capital Aid	2,194,729.94
Capital Gifts, Net	145,200.00
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Increase in Net Assets	5,282,586.69
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NET ASSETS

Net Assets, July 1, 2010, as restated (Note 16)	288,994,763.06
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Net Assets, June 30, 2011	\$ 294,277,349.75
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The accompanying notes to the financial statements are an integral part of this statement.

Central Piedmont Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

Exhibit A-3
Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 28,946,535.71
Payments to Employees and Fringe Benefits	(92,408,787.32)
Payments to Vendors and Suppliers	(29,315,653.59)
Payments for Scholarships and Fellowships	(28,918,391.75)
Collection of Loans to Students	250.00
Other Payments	(1,173,172.40)
	<hr/>
Net Cash Used by Operating Activities	(122,869,219.35)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	57,415,189.23
County Appropriations	23,900,000.00
Noncapital Grants - Federal Student Financial Aid	38,270,835.05
Noncapital Grants Received	7,855,249.45
Noncapital Gifts and Endowments Received	496,952.21
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Net Cash Provided by Noncapital Financing Activities	127,938,225.94

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

State Capital Aid Received	4,199,847.41
County Capital Aid	2,194,729.94
Proceeds from Capital Debt	3,626,784.00
Acquisition and Construction of Capital Assets	(8,241,013.36)
Principal Paid on Capital Debt and Leases	(524,740.00)
Interest Paid on Capital Debt and Leases	(344,067.93)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	911,540.06

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	176,530.73
	<hr/>
Net Cash Provided by Investing Activities	176,530.73

Net Increase in Cash and Cash Equivalents	6,157,077.38
Cash and Cash Equivalents, July 1, 2010	19,474,889.53
	<hr/>
Cash and Cash Equivalents, June 30, 2011	\$ 25,631,966.91

Central Piedmont Community College
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2011

Exhibit A-3
Page 2 of 2

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

Operating Loss	\$ (130,019,857.33)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/ Amortization Expense	7,350,826.53
Provision for Uncollectible Loans and Write-Offs	(371.45)
Miscellaneous Nonoperating Income	534,391.70
Changes in Assets and Liabilities:	
Receivables, Net	(1,520,897.60)
Inventories	(99,104.44)
Prepaid Items	3,990.00
Notes Receivable, Net	250.00
Accounts Payable and Accrued Liabilities	473,236.68
Unearned Revenue	731,276.76
Funds Held for Others	(186,337.39)
Compensated Absences	(136,622.81)
Net Cash Used by Operating Activities	<u><u>\$ (122,869,219.35)</u></u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 23,354,754.72
Restricted Cash and Cash Equivalents	706,073.65
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>1,571,138.54</u>
Total Cash and Cash Equivalents - June 30, 2011	<u><u>\$ 25,631,966.91</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 599,268.19
Assets Acquired through a Gift	\$ 145,200.00
Capital Asset Write-Offs	\$ 556,671.82

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

Central Piedmont Community College Foundation, Inc.
Statement of Financial Position
June 30, 2011

Exhibit B-1

ASSETS

Cash and Cash Equivalents	\$	1,024,431
Pledges Receivable, Net		1,919,696
Other Current Assets		69,329
Total Current Assets		<u>3,013,456</u>
Investments		26,017,460
Non-current Pledges Receivable, Net		8,527,533
Property Held for Sale		42,000
Real Estate Held Under Operating Lease		<u>3,378,658</u>
Total Assets	\$	<u><u>40,979,107</u></u>

LIABILITIES

Accounts Payable	\$	85,462
Note Payable, Current Portion		84,651
Deferred Revenue		250,000
Deferred Compensation Payable		600,000
Obligations under Annuity Agreements, Current Portion		23,200
Total Current Liabilities		<u>1,043,313</u>
Funds Held for Others		529,251
Deferred Revenue Non-current Portion		229,167
Obligations under Annuity Agreements, Non-Current Portion		348,703
Note Payable, Non-Current Portion		<u>2,341,709</u>
Total Liabilities		<u>4,492,143</u>

NET ASSETS

Unrestricted		3,692,796
Temporarily Restricted		9,029,496
Permanently Restricted		<u>23,764,672</u>
Total Net Assets		<u>36,486,964</u>
Total Liabilities and Net Assets	\$	<u><u>40,979,107</u></u>

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

Central Piedmont Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

Contributions	\$ 623,437
Investment Return	1,903,388
Rental Income	206,394
Other	46,452
Total Unrestricted Revenues	2,779,671
Net Assets Released from Restrictions:	2,439,625
Total Unrestricted Revenues and Other Support	5,219,296
Expenses	
Scholarships	1,007,962
Sponsored Programs	1,286,140
Management and General	555,978
Fund Raising	435,524
Total Expenses	3,285,604
Increase in Unrestricted Net Assets	1,933,692

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions	3,724,883
Investment Return	2,399,345
Adjustment to Pledges Receivable Value	(67,268)
Rental Income	52,706
Total Temporary Restricted Revenues	6,109,666
Net Assets Released from Restrictions:	(2,166,238)
Increase in Temporarily Restricted Net Assets	3,943,428

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Contributions	556,762
Adjustment to Pledges Receivable Value	(545,350)
Total Permanently Restricted Revenues	11,412
Net Assets Released from Restrictions:	(273,387)
Decrease in Permanently Restricted Net Assets	(261,975)
Increase in Net Assets	5,615,145
Net Assets at Beginning of Year	30,871,819
Net Assets at End of Year	\$ 36,486,964

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

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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. Central Piedmont Community College (the "College" or "CPCC") 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 unit is discretely presented in the College's financial statements. The College's discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize their legal separateness.

Discretely Presented Component Units – Central Piedmont Community College Foundation, Inc. (the "Foundation") is a legally separate not-for-profit corporation and is reported as 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 graduates and friends of the College. 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 Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Financial statements for the College and its discretely presented component unit are presented as of and for the fiscal year ended June 30, 2011. The audited financial statements for the Foundation can be obtained from Central Piedmont Community College Foundation Inc., PO Box 35009, Charlotte, NC 28235-5009.

- 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 Governmental Accounting Standards Board (GASB).

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

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

- C. Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange includes 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

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

accounts, money market accounts, overnight repurchase agreements, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund 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. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory method.
- G. 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. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

Depreciation is computed using the straight-line 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, 2 to 20 years for computer software and 2 to 25 years for art, literature and artifacts.

- H. 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 or designated for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

- I. Noncurrent Liabilities** - Noncurrent liabilities include notes payable and compensated absences that will not be paid within the next fiscal year. Noncurrent liabilities also include deferred revenue that will not be earned within the next fiscal year.
- J. 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 fiscal 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.

- K. Funds Held for Others** – Funds Held for Others consist primarily of payroll withholdings that have not yet been disbursed to the respective third party.
- L. Net Assets** - The College's net assets are classified as follows:

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

Restricted Net Assets - Nonexpendable - Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity. The College had no Restricted Net Assets – Nonexpendable as of June 30, 2011.

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

- M. Scholarship Discounts** - Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. The scholarship discount is the difference between the actual charge for goods and services provided by the College 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 Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.
- N. Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as student tuition and fees and sales and services of auxiliary enterprises. 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*.

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 Campus Printing, the Harris Conference Center, the Center for Applied Research and the Academic and Performing Arts Center. 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 and encumbered county current appropriations and county capital appropriations do not revert and are available for future use by the College

NOTE 2 - DEPOSITS AND INVESTMENTS

College - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling \$17,675.00, and deposits in private financial institutions with a carrying value of \$16,604,343.13 and a bank balance of \$17,888,968.82.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, 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 the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings and banker's acceptances; 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.

At June 30, 2011, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$9,009,948.78 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (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 1.9 years as of June 30, 2011. Assets and shares of the Short-Term Investment Fund 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 Short-Term Investment Fund) 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

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

“Proceed directly to OSC’s index page,” then “Reports,” or by calling the State Controller’s Financial Reporting Section at (919) 981-5454.

Component Unit - Investments of the College’s discretely presented component unit, the Central Piedmont 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:

	Cost	Market
Money market funds	\$ 3,872,786	\$ 3,872,786
Mutual funds		
Equity	12,889,970	14,654,313
Fixed income	4,179,570	4,156,351
Alternative investments	3,217,108	3,334,010
Total investments	\$ 24,159,434	\$ 26,017,460

NOTE 3 - RECEIVABLES

Receivables at June 30, 2011, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,762,513.75	\$ 1,423,901.00	\$ 1,338,612.75
Accounts	1,685,752.29	107,901.17	1,577,851.12
Other	140,099.85	-	140,099.85
Total Current Receivables	4,588,365.89	1,531,802.17	3,056,563.72
Noncurrent Receivables:	2,077,493.56	-	2,077,493.56
Total Receivables	\$ 6,665,859.45	\$ 1,531,802.17	\$ 5,134,057.28

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2011, is presented as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 15,271,471.23	\$ -	\$ -	\$ 15,271,471.23
Construction in Progress	10,153,981.73	1,796,646.67	7,012,576.11	4,938,052.29
Total Capital Assets, Nondepreciable	25,425,452.96	1,796,646.67	7,012,576.11	20,209,523.52
Capital Assets, Depreciable:				
Buildings	274,405,365.70	4,968,586.56	-	279,373,952.26
Machinery and Equipment	20,114,577.93	2,497,432.85	556,671.82	22,055,338.96
Art, Literature, and Artifacts	434,000.00	-	-	434,000.00
General Infrastructure	18,611,410.87	5,047,579.73	-	23,658,990.60
Total Capital Assets, Depreciable	313,565,354.50	12,513,599.14	556,671.82	325,522,281.82
Less Accumulated Depreciation/Amortization for:				
Buildings	42,561,218.38	5,617,647.52	-	48,178,865.90
Machinery and Equipment	7,790,985.40	1,176,383.23	403,277.50	8,564,091.13
Art, Literature, and Artifacts	29,823.46	10,359.96	-	40,183.42
General Infrastructure	2,926,078.81	546,435.82	-	3,472,514.63
Total Accumulated Depreciation	53,308,106.05	7,350,826.53	403,277.50	60,255,655.08
Total Capital Assets, Depreciable, Net	260,257,248.45	5,162,772.61	153,394.32	265,266,626.74
Capital Assets, Net	\$ 285,682,701.41	\$ 6,959,419.28	\$ 7,165,970.43	\$ 285,476,150.26

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2011 were as follows:

	Amount
Accounts Payable	\$ 1,641,835.40
Accrued Payroll	1,039,286.08
Contract Retainage	206,821.00
Total Accounts Payable and Accrued Liabilities	<u>\$ 2,887,942.48</u>

**CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011, is presented as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Current Portion
Notes Payable	\$ 6,968,523.00	\$ 3,626,784.00	\$ 524,740.00	\$ 10,070,567.00	\$ 522,570.00
Compensated Absences	6,382,681.05	3,551,887.20	3,688,510.01	6,246,058.24	707,200.89
Total Long-Term Liabilities	\$ 13,351,204.05	\$ 7,178,671.20	\$ 4,213,250.01	\$ 16,316,625.24	\$ 1,229,770.89

B. Note Payable - The College was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2011	Principal Outstanding June 30, 2011
Charlottetowne Parking Deck	Mecklenburgh County	Variable	03/01/2027	\$ 10,000,000.00	\$ 3,556,217.00	\$ 6,443,783.00
Energy Management Contract	Sun Trust Equipment Financing & Leasing Corp.	4.09%	09/01/2023	3,626,784.00	-	3,626,784.00
Total Notes Payable				<u>\$ 13,626,784.00</u>	<u>\$ 3,556,217.00</u>	<u>\$ 10,070,567.00</u>

The Note Payable – Charlottetowne Parking Deck represents a financial arrangement with Mecklenburg County (the “County”) to finance the construction of the parking deck at the corner of Charlottetown Avenue and East 4th Street. The County issued Variable Rate Certificates of Participation (2005 and 2007A Mecklenburg County) of which a portion would fund the parking deck, up to \$11,500,000.00. The College agreed to reimburse the County for its portion of the debt service payments for the certificates. The College payments are due quarterly in arrears. The principal and interest payments are paid from parking fees earned.

The Note Payable – Energy Management Contract represents a financial arrangement with a Financial Institution to finance the construction of services, systems and facilities designed to reduce energy consumption and costs in specific buildings owned and operated by the College.

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The annual requirements to pay principal and interest on the notes payable at June 30, 2011, are as follows:

<u>Fiscal Year</u>	<u>Annual Requirements</u>	
	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 522,570.51	\$ 570,700.61
2013	726,447.18	431,696.46
2014	741,694.15	398,971.13
2015	702,399.65	364,720.75
2016	720,609.44	332,385.70
2017-2021	3,869,087.75	1,148,088.44
2022-2026	2,608,156.73	315,070.65
2027	179,601.59	8,980.06
Total Requirements	<u>\$ 10,070,567.00</u>	<u>\$ 3,570,613.80</u>

NOTE 7 - OPERATING LEASES

A. Operating Lease Obligations - Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2011:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 418,873.00
2013	430,006.33
2014	651,458.00
2015	650,000.00
2016	650,000.00
2017-2021	2,708,333.33
2022-2026	2,000,000.00
2027-2031	1,200,000.00
Total Minimum Lease Payments	<u>\$ 8,708,670.66</u>

Rental expense for all operating leases during the year was \$634,279.00.

NOTE 8 - REVENUES

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

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 35,876,190.80	\$ -	\$ 14,231,256.58	\$ 1,414,790.23	\$ 20,230,143.99
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Student Union Services	1,054,442.00	-	-	-	1,054,442.00
Parking	3,090,662.75	-	-	-	3,090,662.75
Bookstore and Vending Commissions	1,091,232.16	285,066.00	-	-	806,166.16
Harris Conference Center	916,220.66	-	-	27,017.74	889,202.92
Theatre and The Arts	610,210.46	49,236.36	-	-	560,974.10
Colleague Training Center	18,250.00	-	-	-	18,250.00
Center for Applied Research	173,802.51	-	-	-	173,802.51
Other Campus Service Centers	814,523.79	660,962.41	-	13,300.00	140,261.38
Other	288,050.93	-	-	-	288,050.93
Total Sales and Services	\$ 8,057,395.26	\$ 995,264.77	\$ -	\$ 40,317.74	\$ 7,021,812.75

NOTE 9 - LEASE REVENUES

Future minimum lease revenues under the noncancelable broadband lease are as follows:

Rental revenue from the broad band lease was \$184,667.67. This amount is included in Other Nonoperating Revenues, Net of Expenses.

Fiscal Year	Lease Revenue Amount
2012	184,666.67
2013	184,666.67
2014	184,666.67
2015	184,666.67
2016	184,666.67
2017-2021	923,333.33
2022-2026	923,333.33
2027-2031	923,333.33
2032-2036	923,333.33
2037	184,666.67
Total Minimum Lease Revenues	\$ 4,801,333.34

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 - 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	\$ 57,078,521.95	\$ 2,584,398.66	\$ 3,149,690.81	\$ 259,429.43	\$ -	\$ -	\$ 63,072,040.85
Academic Support	4,626,719.83	438,078.64	581,973.13	-	-	-	5,646,771.60
Student Services	7,512,744.74	263,822.58	205,112.29	49,297.34	-	-	8,030,976.95
Institutional Support	16,667,385.22	1,741,629.40	2,999,060.29	30,189.96	1,342.67	-	21,439,607.54
Operations and Maintenance of Plant	3,812,921.19	4,103,636.37	5,594,189.25	858.34	3,601,660.68	-	17,113,265.83
Student Financial Aid	-	-	41,797.24	27,609,355.67	-	-	27,651,152.91
Auxiliary Enterprises	2,745,035.08	875,218.98	2,859,965.62	6,287.91	1,497.60	-	6,488,005.19
Other	-	-	479,166.67	-	-	-	479,166.67
Depreciation	-	-	-	-	-	7,350,826.53	7,350,826.53
Total Operating Expenses	\$ 92,443,328.01	\$ 10,006,784.63	\$ 15,910,955.30	\$ 27,955,418.65	\$ 3,604,500.95	\$ 7,350,826.53	\$ 157,271,814.07

NOTE 11 - PENSION PLANS

- A. Retirement Plans** - Each permanent full-time employee, as a condition of employment, is a member of the Teachers' and State Employees' Retirement System. The Teachers' and State Employees' Retirement System is a cost sharing multiple employer defined benefit pension plan established by the State to provide pension benefits for employees of the State, its component units and local boards of education. The plan is administered by the North Carolina State Treasurer.

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina 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, 2011, these rates were set at 4.93% of covered payroll for employers and 6.00% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$75,009,965.08 and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$6,366,610.57 and \$3,636,014.91. respectively.

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Required employer contribution rates for the years ended June 30, 2010, and 2009, were 3.57% and 3.36%, respectively, while employee contributions were 6.00% each year. The College made 100.00% of its annual required contributions for the years ended June 30, 2011, 2010, and 2009, which were \$2,987,588.51, \$2,108,402.18, and \$1,987,397.01, respectively.

The Teachers' and State Employees' Retirement System's financial information is included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- B. Deferred Compensation and Supplemental Retirement Income Plans** - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the "Plan"). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$264,140.18 for the year ended June 30, 2011.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College except for a 5% employer contribution for the College's law enforcement officers, which is mandated under General Statute 143-166.30(e). The voluntary contributions by employees amounted to \$821,520.97 for the year ended June 30, 2011.

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

IRC Section 401(k) Plan with Roth options. All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amount to \$139,699.96 for the year ended June 30, 2011.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$419,139.11 for the year ended June 30, 2011.

NOTE 12 - 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 North Carolina General Statute 135-7 and Chapter 135, Article 3A, 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

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly.

For the current fiscal year the College contributed 4.90% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2010, and 2009, were 4.50% and 4.10%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2011, 2010, and 2009, which were \$2,969,408.46, \$2,657,649.81, and \$2,425,097.54, 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 "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

- 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, 2011, the College made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2010, and 2009, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2011, 2010, and 2009, which were \$315,120.90, \$307,106.20, and \$307,573.34, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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.

Tort claims of up to \$1,000,000 are 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 the Public School Insurance Fund, a State-administered public entity risk pool. This fund is financed by premiums and interest and retains the risk for the \$10 million deductible per occurrence. Reinsurance is purchased by the fund to cover catastrophic events in excess of the \$10 million deductible. Property is covered under an all risk coverage contract. Building and contents are valued under a replacement cost basis. No coinsurance penalties apply. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

State-owned vehicles are covered by liability insurance through a private insurance company and handled by the North Carolina Department of Insurance. The liability limits for losses are \$1,000,000 per claim and \$10,000,000 per occurrence. The community college pays premiums to the North Carolina Department of Insurance for the coverage. Liability insurance for other College-owned vehicles is covered by contracts with private insurance companies.

The College is protected for losses from employee dishonesty and computer fraud for employees paid in whole or in part from State funds. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. North Carolina Community College System Office is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. Losses from County and Institutional fund paid employees are

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

covered by private insurance. Employee dishonesty coverage carries a deductible of \$2,500 with a limit of \$100,000. Forgery or alteration has a \$1,000 deductible with a \$100,000 limit.

The College purchased professional liability insurance from private insurance companies to cover instructors and students in the Health Sciences programs with liability limits of \$1,000,000 per claim and a \$3,000,000 aggregate. There is a deductible of \$1,000.

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.

The College retained the following risks as of June 30, 2011:

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

The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were \$1,327,601.76 as of June 30, 2011.

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 15 - RELATED PARTIES

The Foundation 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 assets, or operational transactions of the Foundation, except for support from and expenses paid to the Foundation. Support received was \$1,577,023.29 for the year ended June 30, 2011 and is included in Noncapital Gifts, Net and Capital Gifts, Net. The College also leases the use of certain real estate owned by the Foundation. During the year ended June 30, 2011, the College made a payment of \$250,000.00 to the Foundation. A prorata share of this payment is Services Expense and Prepaid Items.

NOTE 16 - NET ASSET RESTATEMENT

As of July 1, 2010 Net Assets as previously reported were restated to adjust for the effects of an understatement of Tuition Revenue and an overstatement of Funds Held for Others liability.

	Amount
Net Assets, as previously reported	\$ 287,293,319.64
Adjustment for an understatement of revenue	1,701,443.42
Net Assets as restated	<u>\$ 288,994,763.06</u>

NOTE 17 - SUBSEQUENT EVENTS

The College has evaluated subsequent events through September 6, 2011, which is the date the financial statements were available to be issued.



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
Central Piedmont Community College
Charlotte, North Carolina

We have audited the financial statements of the business-type activity and the discretely presented component unit of Central Piedmont Community College (the "College") as of and for the years ended June 30, 2011, which collectively comprise the College's basic financial statements, and have issued our report thereon dated September 6, 2011. 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. The financial statements of Central Piedmont Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the College in a separate letter dated September 6, 2011. This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry Bekaert + Holland, C.C.P.A.

Charlotte, North Carolina
September 6, 2011