



# FINANCIAL STATEMENT REPORT

FOR THE YEAR ENDED JUNE 30, 2013



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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Central Piedmont Community College (the "College"), a component unit of the State of North Carolina, and the discretely presented component unit, Central Piedmont Community College Foundation, Inc., as of and for the year ended June 30, 2013 which collectively comprises the College's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 opinion.

### **Opinion**

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

## **Other Matters**

### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, the College adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, GASB Statement No. 65, *Items Previously Reported as Asset and Liabilities*, and GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective July 1, 2012.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Cherry Bekaert LLP*

Charlotte, North Carolina  
October 30, 2013

# CENTRAL PIEDMONT COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

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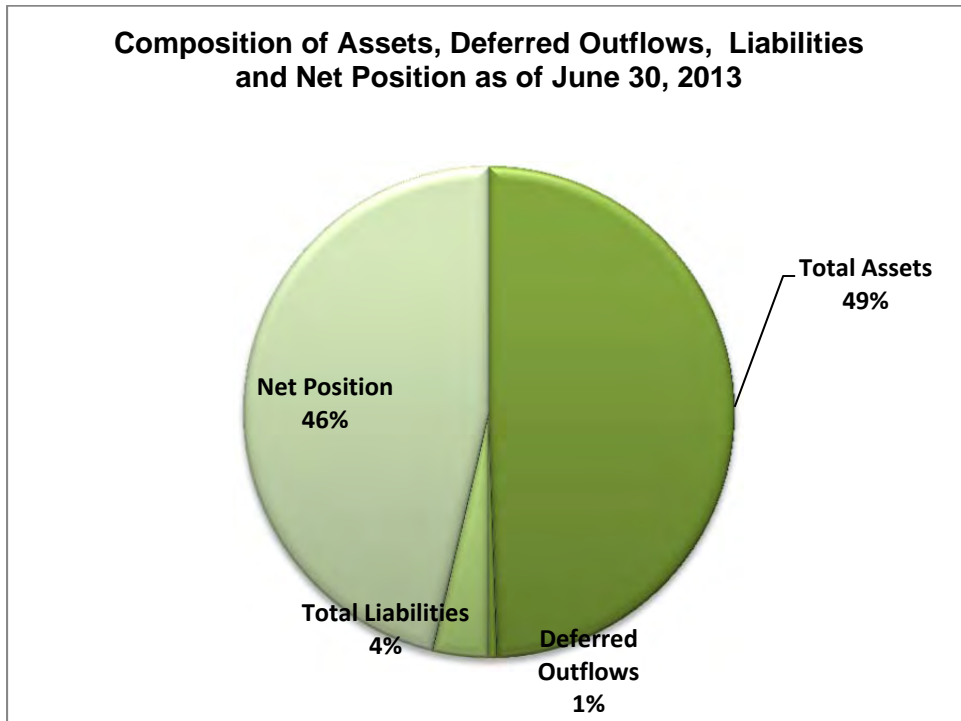
## Introduction

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, 2013, with selected comparative information for the year ended June 30, 2012. 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 3,200 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 offers 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, 2013. The increase in net position for fiscal 2013 was greater than the fiscal 2012 increase due to a \$6,096,489.91 increase in capital funding from the County and an increase of \$1,654,912.45 in tuition and fees related to a 3.7% increase in tuition and a 10% increase in Campus Access and Parking Services Fee. The composition of the College's Assets, Deferred Outflows, Liabilities and Net Position is presented below.



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

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**Financial Highlights (continued)**

Changes in net position represent the operating and non-operating activity of the College, resulting from revenues, expenses, gains and losses and are summarized for the years ended June 30, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>	<u>Difference</u>
Operating revenues	\$ 35,630,547.98	\$ 32,021,212.88	\$ 3,609,335.10
Operating expenses	(171,765,973.26)	(159,778,923.46)	(11,987,049.80)
Net nonoperating revenues	127,474,497.80	120,461,662.92	7,012,834.88
Capital aid revenues	<u>28,681,111.30</u>	<u>21,755,177.07</u>	<u>6,925,934.23</u>
Increase in net position	<u>\$ 20,020,183.82</u>	<u>\$ 14,459,129.41</u>	<u>\$ 5,561,054.41</u>

**Using the Financial Statements**

The College's financial report includes three financial statements:

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

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

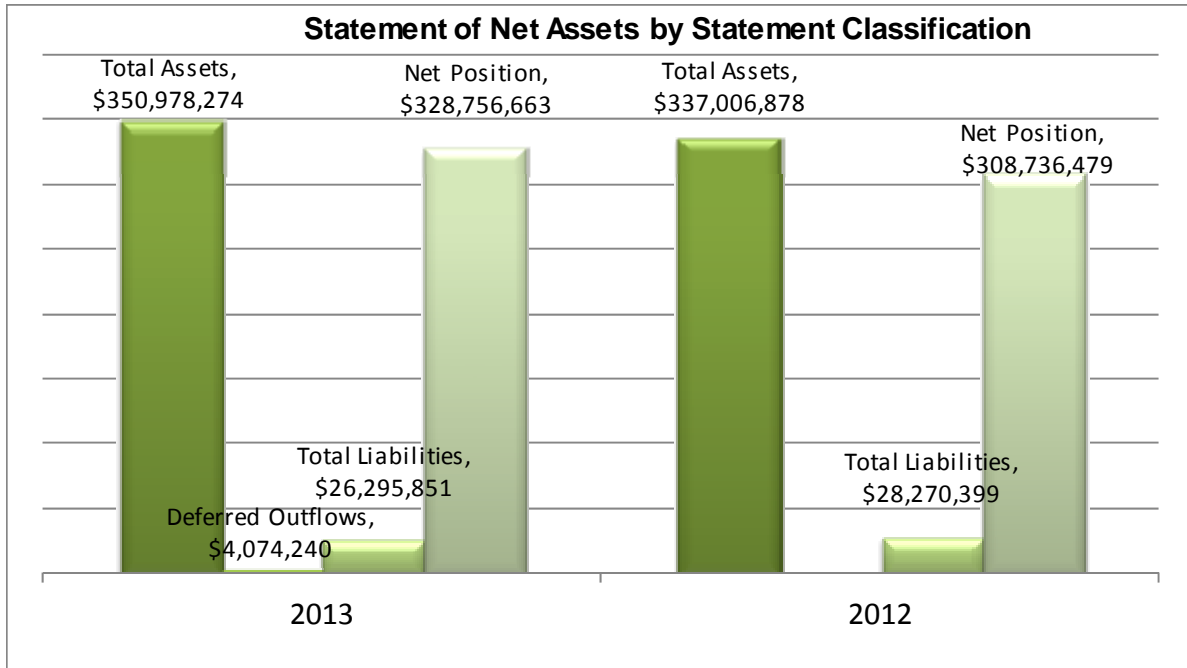
**Statement of Net Position**

The Statement of Net Position 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 position, 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.

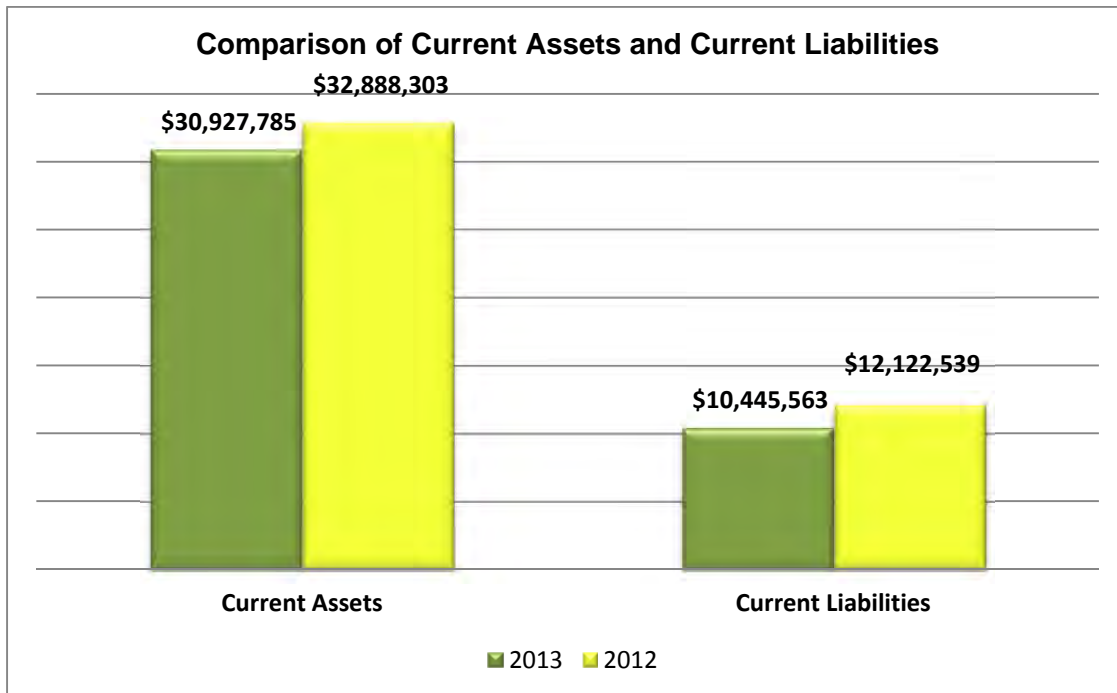
**CENTRAL PIEDMONT COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Statement of Net Position (continued)**

A summarized comparison of the College's assets, deferred outflows, liabilities and net position at June 30, 2013 and 2012, is presented below:



The College's current assets and current liabilities decreased \$1,960,518 and \$1,568,976, respectively. The similar decrease in these two classifications is due to the use of cash to pay down current liabilities.

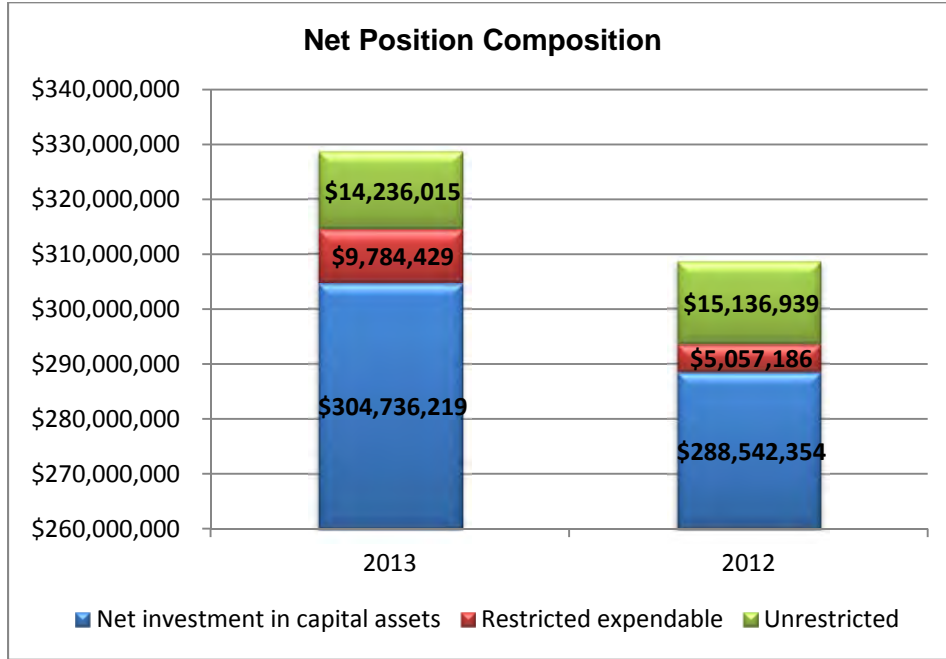


**CENTRAL PIEDMONT COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Net Position**

Net position represents the residual interest in the College's assets and deferred outflows after liabilities and deferred inflows are deducted. The College's net position at June 30, 2013 and 2012 are summarized below:



Net investment in capital assets represents the College's capital assets of \$313,972,495.31 less related debt of \$9,236,276.64. Net investment in capital assets increased \$16,193,864.36, or 5.61% due to capitalizations of building projects that were in progress, purchase of additional machinery and equipment, updates to general infrastructure, less depreciation expense for the fiscal year.



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

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**Statement of Revenues, Expenses, and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Position presents the College's results of operations. Below is a summarized comparison of the College's revenues, expenses, and changes in net position for the years ended June 30, 2013 and 2012:

	2013	2012	Difference
<b>Operating Revenues:</b>			
Student tuition and fees, net	\$ 25,038,788.74	\$ 23,383,876.29	\$ 1,654,912.45
Sales and services, and other	10,591,759.24	8,637,336.59	1,954,422.65
Total operating revenues	<u>35,630,547.98</u>	<u>32,021,212.88</u>	<u>3,609,335.10</u>
<b>Operating expenses</b>	<u>171,765,973.26</u>	<u>159,778,923.46</u>	<u>11,987,049.80</u>
Operating loss	(136,135,425.28)	(127,757,710.58)	(8,377,714.70)
<b>Nonoperating and other revenues (expenses)</b>			
State aid	53,183,231.94	50,459,566.11	2,723,665.83
County appropriations	27,099,486.00	26,150,000.00	949,486.00
Noncapital grants and gifts	47,352,029.98	45,223,733.78	2,128,296.20
Capital contributions and special items	28,681,111.30	21,755,177.07	6,925,934.23
Interest on capital asset related debt	(378,886.08)	(562,971.54)	184,085.46
Net interest income	120,496.50	161,789.29	(41,292.79)
Other nonoperating revenue (expenses)	98,139.46	(970,454.72)	1,068,594.18
Net nonoperating revenues	<u>156,155,609.10</u>	<u>142,216,839.99</u>	<u>13,938,769.11</u>
Increase in net position	20,020,183.82	14,459,129.41	5,561,054.41
<b>Net position, beginning of year</b>	<u>308,736,479.16</u>	<u>294,277,349.75</u>	<u>14,459,129.41</u>
<b>Net position, end of year</b>	<u>\$ 328,756,662.98</u>	<u>\$ 308,736,479.16</u>	<u>\$ 20,020,183.82</u>

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.

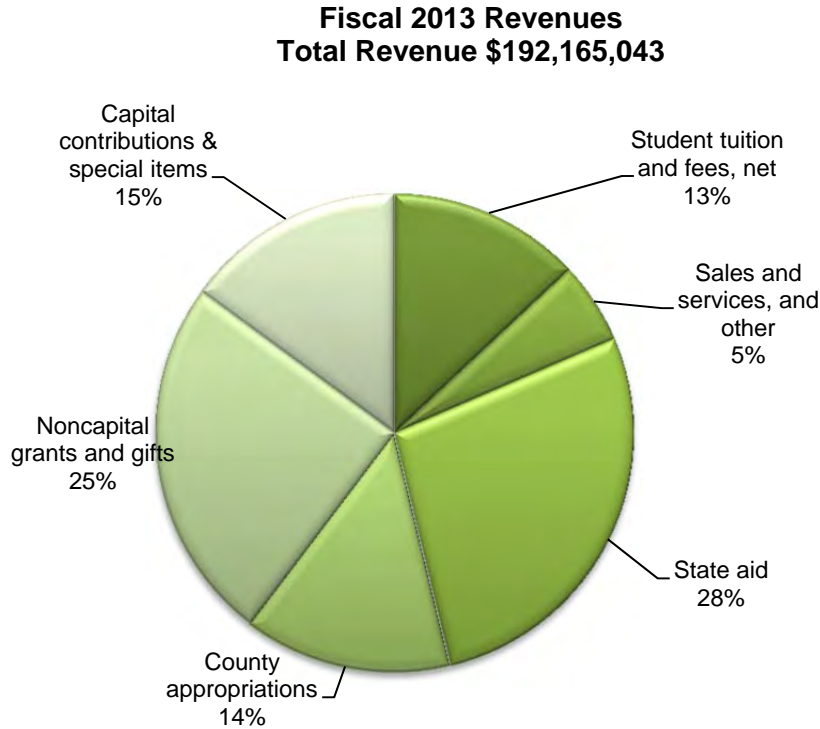
Tuition and State appropriations are the primary sources of funding for the College's academic programs. Capital contributions increased 31.9% mostly through an increase in capital aid received from the County. This increase allowed the College to continue with its long term capital plan and significant construction projects.

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

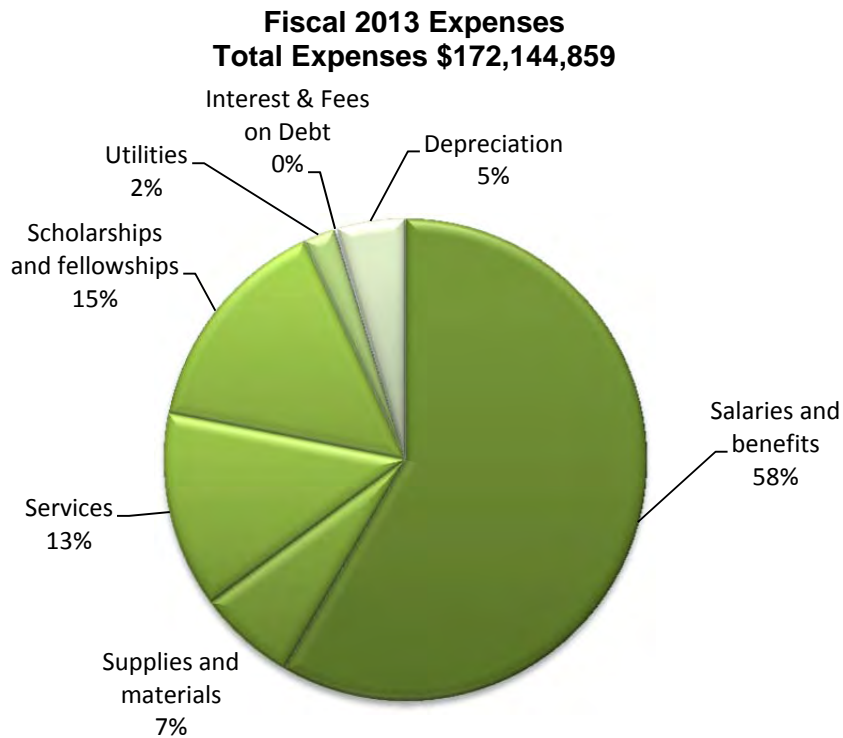
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**Statement of Revenues, Expenses, and Changes in Net Position (continued)**

The composition of the College's revenues is as follows:



The composition of the College's expenses by natural classification is as follows:

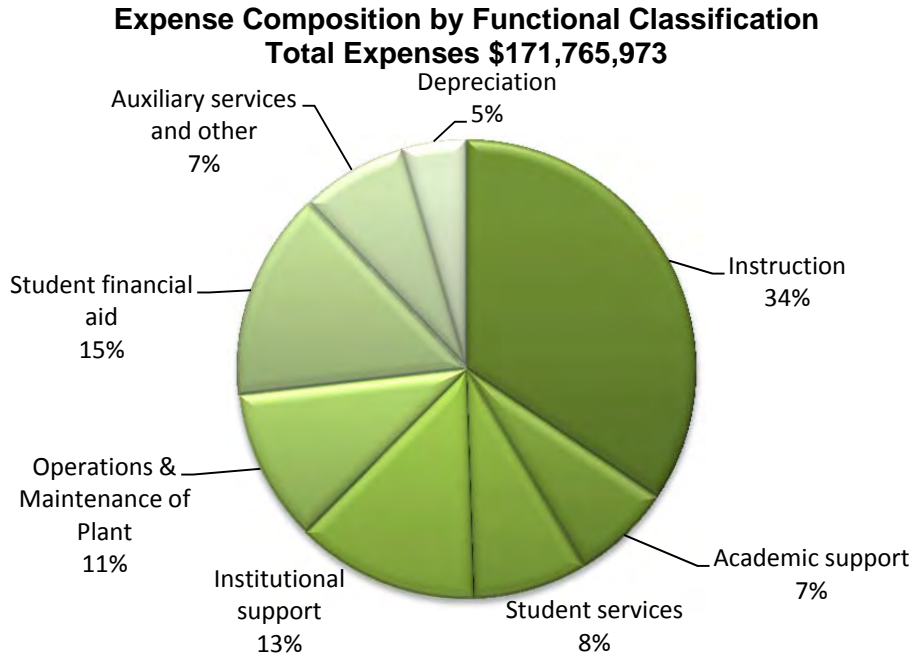


**CENTRAL PIEDMONT COMMUNITY COLLEGE  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

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**Statement of Revenues, Expenses, and Changes in Net Position (continued)**

In addition to natural (object) classification, it is also informative to review operating expenses by function. The composition of the College’s expenses by functional classification, excluding interest expenses, for the year ended June 30, 2013, is as follows:



**Capital Activities**

The College was able to increase its capital activity during fiscal 2013 due to County Funding and continued certain building and building improvements in accordance with its Strategic Plan. Using proceeds from County-sponsored bond issuances and other funding sources, the College expended \$27,071,734.26 on capital asset projects in 2013 as compared to \$16,206,619.00 in 2012. 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 \$25,891,174.17.

**Merger with WTVI**

On July 3, 2012, at the request of the Mecklenburg County, The College acquired the Charlotte Mecklenburg Broadcasting Authority (“WTVI”) for \$1.00. The Federal Communications Commission (“FCC”) awarded the broadcasting license for WTVI to the College effective July 3, 2012. The College applied the provisions of Statement No. 69 in recording the transaction. The transaction was determined to qualify as a merger of a non-governmental entity into a governmental entity. The carrying value of all assets and liabilities remaining in WTVI as of July 3, 2012, were transferred to the College at their respectively carrying values.

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

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### **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.

The College has been advised by the State to withhold 5.26% from its budget allocations for reversion in fiscal year 2014. Alternatively, the County has implemented a 13.96% budget increase for the College in 2014 after a 4.63% increase in 2013. The College has adjusted its respective budgets accordingly.

Effective July 1, 2013, the North Carolina General Assembly increased the in-state tuition rate for community college students to \$71.50 per credit hour from \$69.00 per credit hour and the out-of-state tuition rate to \$263.50 per credit hour from \$261.00 per credit hour.

The College will continue to execute its long-range plan to modernize and expand its campus infrastructure and facilities. Funds in the amount of \$46,000,000.00 were authorized for College capital funding projects. Of that amount, \$11,115,314.00 remained available for use as of June 30, 2013.

In addition to current funding, Mecklenburg County officials have authorized a \$210 million bond referendum which will go before the county citizens for a vote on November 5, 2013. The County authorized an additional \$70 million in capital funding for potential total capital funding of \$280 million that could be available as early as July 2014. The new capital funding will support the College's long-range capital plan that includes land acquisitions, building renovations, and new classroom buildings at all campus locations. The new capital funds will encompass ten projects creating 939,500 square feet of new space for classrooms and laboratories.

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 Position**  
**June 30, 2013**

**Exhibit A-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 24,078,154.78
Restricted Cash and Cash Equivalents	3,407,830.50
Receivables, Net (Note 3)	2,654,834.60
Due from Community College Component Units	245,346.25
Inventories	257,669.05
Prepaid Items	283,949.40
	<hr/>
Total Current Assets	30,927,784.58

Noncurrent Assets:

Restricted Cash and Cash Equivalents	1,648,759.51
Receivables, Net (Note 3)	2,816,246.78
Restricted Due from Primary Government	1,356,078.63
Prepaid Items	256,909.67
Capital Assets - Nondepreciable (Note 4)	41,162,645.40
Capital Assets - Depreciable, Net (Note 4)	272,809,849.91
	<hr/>
Total Noncurrent Assets	320,050,489.90

Total Assets	<hr/> <hr/> 350,978,274.48
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**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Outflows of Resources (Note 6)	<hr/> 4,074,239.64
Total Deferred Outflows of Resources	<hr/> <hr/> 4,074,239.64

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	6,460,545.36
Unearned Revenue	1,925,151.46
Funds Held for Others	430,760.43
Long-Term Liabilities - Current Portion (Note 6)	1,629,106.04
	<hr/>
Total Current Liabilities	10,445,563.29

Noncurrent Liabilities:

Unearned Revenue	1,763,333.31
Long-Term Liabilities (Note 6)	14,086,954.54
	<hr/>
Total Noncurrent Liabilities	15,850,287.85
	<hr/>
Total Liabilities	26,295,851.14

**NET POSITION**

Net Investment in Capital Assets	304,736,218.67
Restricted for:	
Expendable:	
Loans	7,695.37
Capital Projects	9,776,733.98
Unrestricted	<hr/> 14,236,014.96
Total Net Position	<hr/> <hr/> <hr/> \$ 328,756,662.98

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 Position**  
**For the Fiscal Year Ended June 30, 2013**

**Exhibit A-2**

**REVENUES**

Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	\$ 25,038,788.74
Sales and Services, Net (Note 8)	10,294,107.79
Other Operating Revenues	297,651.45
	<hr/>
Total Operating Revenues	35,630,547.98
	<hr/>

**EXPENSES**

Operating Expenses (Note 10):	
Salaries and Benefits	100,455,097.64
Supplies and Materials	11,274,907.90
Services	22,730,727.41
Scholarships and Fellowships	25,765,964.31
Utilities	3,670,335.95
Depreciation	7,868,940.05
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Total Operating Expenses	171,765,973.26
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Operating Loss	(136,135,425.28)
	<hr/>

**NONOPERATING REVENUES (EXPENSES)**

State Aid	53,183,231.94
County Appropriations	27,099,486.00
Noncapital Grants - Student Financial Aid	38,441,483.05
Noncapital Grants	7,327,857.99
Noncapital Gifts, Net	1,582,688.94
Investment Income, Net	120,496.50
Interest and Fees on Debt	(378,886.08)
Other Nonoperating Revenues	98,139.46
	<hr/>
Net Nonoperating Revenues	127,474,497.80
	<hr/>
Loss Before Other Revenues, Expenses, Gains, and Losses	(8,660,927.48)
	<hr/>
State Capital Aid	4,646,810.32
County Capital Aid	21,842,656.84
Capital Gifts, Net	29,322.14
Special Item - Merger of WTVI	2,162,322.00
	<hr/>
Increase in Net Position	20,020,183.82

**NET POSITION**

Net Position, July 1, 2012	308,736,479.16
	<hr/>
Net Position, June 30, 2013	\$ 328,756,662.98
	<hr/> <hr/>

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, 2013**

**Exhibit A-3**

**Page 1 of 2**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 35,042,490.10
Payments to Employees and Fringe Benefits	(100,102,418.96)
Payments to Vendors and Suppliers	(37,693,853.25)
Payments for Scholarships and Fellowships	(26,665,565.27)
Collection of Loans to Students	6,746.13
Other Receipts	1,885,680.62
	<u>1,885,680.62</u>
Net Cash Used by Operating Activities	<u>(127,526,920.63)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	53,183,231.94
County Appropriations	27,099,486.00
Noncapital Grants - Student Financial Aid	38,441,483.05
Noncapital Grants Received	7,327,857.99
Noncapital Gifts and Endowments Received	1,513,565.10
	<u>1,513,565.10</u>
Net Cash Provided by Noncapital Financing Activities	<u>127,565,624.08</u>

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

State Capital Aid Received	4,911,810.24
County Capital Aid	21,842,656.84
Capital Gifts Received	(92,529.44)
Acquisition and Construction of Capital Assets	(27,163,984.14)
Principal Paid on Capital Debt and Leases	(726,447.31)
Interest Paid on Capital Debt and Leases	(378,886.08)
	<u>(378,886.08)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,607,379.89)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	<u>120,496.50</u>
Net Cash Provided by Investing Activities	<u>120,496.50</u>
Net Decrease in Cash and Cash Equivalents	(1,448,179.94)
Cash and Cash Equivalents, July 1, 2012	<u>30,582,924.73</u>
Cash and Cash Equivalents, June 30, 2013	<u>\$ 29,134,744.79</u>

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, 2013**

**Exhibit A-3**  
**Page 2 of 2**

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

Operating Loss	\$ (136,135,425.28)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	7,868,940.05
Provision for Uncollectible Loans and Write-Offs	2,360,782.70
Miscellaneous Nonoperating Income	1,534,364.75
Changes in Assets and Liabilities:	
Receivables, Net	(2,328,795.89)
Inventories	289,651.85
Prepaid Items	(61,692.40)
Notes Receivable, Net	6,746.13
Accounts Payable and Accrued Liabilities	(133,778.45)
Unearned Revenue	(164,658.73)
Funds Held for Others	(1,003,671.05)
Compensated Absences	240,615.69
	<u>240,615.69</u>
Net Cash Used by Operating Activities	<u>\$ (127,526,920.63)</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 24,078,154.78
Restricted Cash and Cash Equivalents	3,407,830.50
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>1,648,759.51</u>
Total Cash and Cash Equivalents - June 30, 2013	<u>\$ 29,134,744.79</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Assets Acquired through Assumption of a Liability	\$ 4,558,462.90
Assets Acquired through Merger of WTVI into CPCC operations	\$ 2,162,322.00
Contributions of Supplies through Gifts	\$ 121,851.58
Decrease in Fixed Assets due to Parking Deck Sale-Leaseback Transaction	\$ 4,746,584.23
Decrease in Notes Payable due to Parking Deck due to Sale-Leaseback Transaction	\$ 5,405,993.00
Increase in Capital Lease Payable due to Parking Deck Sale-Leaseback Transaction	\$ 5,820,720.63
Deferred Outflow of Resources Increase due to the Parking Deck Sale-Leaseback Transaction	\$ 4,074,239.64

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, 2013***

***Exhibit B-1***

**ASSETS**

Cash and Cash Equivalents	\$ 1,209,124
Pledges Receivable, Net	1,996,181
Other Current Assets	<u>52,082</u>
Total Current Assets	3,257,387
Investments	26,266,644
Non-Current Pledges Receivables, Net	7,676,084
Cash Surrender Value Of Life Insurance	5,091
Property Held For Sale	42,000
Real Estate Held Under Operating Lease	<u>4,894,296</u>
<b>Total Assets</b>	<b><u><u>\$ 42,141,502</u></u></b>

**LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 264,380
Deferred Revenue	250,000
Deferred Compensation Payable	646,844
Obligations Under Annuity Agreements, Current Portion	30,200
Note Payable - Current Portion	<u>93,970</u>
Total Current Liabilities	1,285,394
Funds Held for Others	132,052
Deferred Revenue Non-Current Portion	229,167
Obligations Under Annuity Agreements, Non-Current Portion	327,656
Note Payable, Non-Current Portion	<u>2,158,387</u>
Total Liabilities	4,132,656

**NET ASSETS**

Unrestricted	3,047,708
Temporarily Restricted	9,861,031
Permanently Restricted	<u>25,100,107</u>
Total Net Assets	<u>38,008,846</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 42,141,502</u></u></b>

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, 2013***

***Exhibit B-2***

**CHANGES IN UNRESTRICTED NET ASSETS**

Contributions	\$ 554,473
Contributions Other Than Cash	88,513
Investment Return	436,136
Rental Income	206,394
Other	<u>35,929</u>
Total Unrestricted Revenues	1,321,445
Net Assets Released from Restrictions:	<u>4,865,030</u>
Total Unrestricted Revenues and Other Support	<u>6,186,475</u>
Expenses and Losses:	
Scholarships	849,892
Sponsored Programs	4,292,417
Management and General	569,013
Fund Raising	<u>538,351</u>
Total Expenses	<u>6,249,673</u>
Decrease in Unrestricted Net Assets	<u>(63,198)</u>

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Contributions	2,550,842
Contributions Other Than Cash	2,360,730
Investment Income	2,209,108
Adjustment To Pledges Receivables, Net	(1,261)
Rental Income	78,539
Other Income	<u>5,091</u>
Total Temporarily Restricted Revenues	7,203,049
Net Assets Released From Restrictions	<u>(4,865,030)</u>
Increase in Temporarily Restricted Net Assets	<u>2,338,019</u>

**CHANGES IN PERMANENTLY RESTRICTED NET ASSETS**

Contributions	1,083,375
Adjustment To Pledges Receivables, Net	<u>(157,040)</u>
Increase in Permanently Restricted Net Assets	<u>926,335</u>
Increase in Net Assets	3,201,156
Net Assets at Beginning of Year	<u>34,807,690</u>
Net Assets at End of Year	<u><u>\$ 38,008,846</u></u>

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, 2013**

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**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.

**Blended Component Units** – Based on the application of the criteria for determining component units, the following component units are included within the College’s reporting entity:

- CPCC Service Corporation Inc. (the “Services Corp”): The Services Corp manages projects for the College, including the Harris Conference Center, the Center for Applied Research, CPCC Press, Performing Arts Facilities and various other projects. The Services Corp is blended with the College because the College is financially accountable for the Services Corp and the Services Corp can provide a financial benefit or impose a financial burden on the College.
- WTVI Foundation Inc.: WTVI Foundation Inc. provides funding to support the activities of WTVI, a public telecommunications station operated as a department of the College. WTVI Foundation Inc. is blended with the College because the College is financially accountable for WTVI Foundation Inc. and WTVI Foundation Inc. can provide a financial benefit or impose a financial burden on the College.

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
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**Discretely Presented Component Unit** – Central Piedmont Community College Foundation, Inc. (the “Foundation”) is a legally separate non-profit corporation and is reported as the discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation acts primarily as a fundraising 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 incomes 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 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, 2013. 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 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. WTVI’s operations are included in CPCC’s operations as a blended component unit.

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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- 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.

Non-exchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange includes State and County 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, 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. Restricted Cash and Cash Equivalents** - This classification includes undeposited receipts, cash on deposit with private bank accounts, savings accounts, and deposits restricted for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties or statute. Restricted Cash and Cash Equivalents are generally restricted for the acquisition or construction of capital assets.
- F. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services, 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 also include WTVI trade, underwriting and production receivables. Non-current receivables include capital construction reimbursements receivable. Receivables are recorded net of estimated uncollectible amounts.
- G. 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.
- 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.

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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 50 years for general infrastructure, 10 to 50 years for buildings, and 2 to 15 years for equipment, 2 to 5 years for computer software and 2 to 25 years for art, literature and artifacts.

Mecklenburg County leases the building and land used for WTVI operations to the College for \$1. The lease expires in 2062. For financial reporting purposes, the rental expense of the facilities is recorded at its estimated fair value, offset by an equal amount of support from the County. Leasehold improvements to the land and building are reflected in the Statement of Net Position.

- I. **Deferred Outflows** – Deferred Outflows consists of the loss related to the sale-leaseback transaction on a CPCC Parking Deck. The loss will be recognized into expense over the term of the lease.
- J. **Noncurrent Liabilities** - Noncurrent liabilities include notes payable, capital lease obligations and compensated absences that will not be paid within the next fiscal year. Noncurrent liabilities also include unearned revenue that will not be earned 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 fiscal year. It is

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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. Funds Held for Others** – Funds Held for Others consists of (1) amounts collected and held by the Services Corp related to ticket sales at the College's performing arts center that will be remitted to third party organizers, and (2) garnishments from the Department of Revenue that will either be returned to students or applied to their student accounts in the future.

- M. 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 - Nonexpendable** – The Nonexpendable restricted net position includes 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 Position – Nonexpendable as of June 30, 2013.

**Restricted Net Position - Expendable** – The 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** – The 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.

- N. 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.

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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.

- O. Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating, nonoperating or capital aid and gifts 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 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*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State and County aid that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

- P. 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 WTVI, 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.



**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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- Q. 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.
- R. Changes in Accounting Principles** – Effective July 1, 2012, the College adopted the provisions of GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Statement No. 63). This implementation required the College to present a Statement of Net Position, replacing previously presented Statement of Net Assets, in the College's basic financial statements. The College's implementation also required the Statement of Net Position to present deferred outflows and inflows of resources in separate sections following total assets and total liabilities sections, respectively. In the case of the College, the implementation of this standard was isolated to presenting the loss on the sales leaseback transaction with the County as a deferred outflow of resources on the Statement of Net Position (see Note 6).

Effective July 1, 2012, the College adopted the provisions of GASB Statement 65, *Items Previously Reported as Assets and Liabilities* (Statement No. 65). The provisions of Statement No. 65 relevant to the College related to changes in the accounting and reporting of deferred losses relating to the sales leaseback transaction with the County (see Note 6).

Effective July 1, 2012, the College early implemented the provisions of GASB Statement 69, *Government Combinations and Disposals of Government Operations* (Statement No. 69). Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The College applied Statement No. 69 with respect to the merger of WTVI (see Note 16).

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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 Position as cash and cash equivalents includes cash on hand totaling \$17,675.00, and deposits in private financial institutions with a carrying value of \$17,995,742.07 and a bank balance of \$18,936,445.86.

The North Carolina Administrative Code (20 NCAC 7) requires all depositories to collateralize public deposits in excess of federal depository insurance coverage by using one of two methods, dedicated or pooled. Under the dedicated method, a separate escrow account is established by each depository in the name of each local governmental unit and the responsibility of monitoring collateralization rests with the local unit. Under the pooling method, each depository establishes an escrow account in the name of the State Treasurer to secure all of its public deposits. This method shifts the monitoring responsibility from the local unit to the State Treasurer.

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2013, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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 non-guaranteed 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.

**CENTRAL PIEDMONT COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
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At June 30, 2013, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$11,121,327.72 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 1.5 years as of June 30, 2013. 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 "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

**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:

	<u>Cost</u>	<u>Market</u>
Money market funds	\$ 2,996,269.00	\$ 2,996,269.00
Mutual funds		
Equity	15,576,236.00	16,999,100.00
Fixed income	1,745,347.00	1,696,839.00
Alternative investments	<u>3,977,655.00</u>	<u>4,574,436.00</u>
 Total investments	 <u>\$24,295,507.00</u>	 <u>\$26,266,644.00</u>

**CENTRAL PIEDMONT COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2013, were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
Current Receivables:			
Students	\$ 3,075,823.48	\$ 2,360,782.70	\$ 715,040.78
Accounts	<u>1,940,592.82</u>	<u>799.00</u>	<u>1,939,793.82</u>
Total Current Receivables	5,016,416.30	2,361,581.70	2,654,834.60
Capital Reimbursements Receivable	<u>2,816,246.78</u>	<u>-</u>	<u>2,816,246.78</u>
Total Receivables	<u>\$ 7,832,663.08</u>	<u>\$ 2,361,581.70</u>	<u>\$ 5,471,081.38</u>

**CENTRAL PIEDMONT COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

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**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 15,271,471.23	\$ -	\$ -	\$ 15,271,471.23
Construction in Progress	18,278,790.52	17,682,099.88	10,069,716.23	25,891,174.17
Total Capital Assets, Nondepreciable	<u>33,550,261.75</u>	<u>17,682,099.88</u>	<u>10,069,716.23</u>	<u>41,162,645.40</u>
Capital Assets, Depreciable:				
Buildings	282,281,981.19	16,701,230.14	1,909,600.00	297,073,611.33
Machinery and Equipment	21,030,675.23	4,558,402.12	1,644,554.36	23,944,522.99
Art, Literature, and Artifacts	434,000.00	-	-	434,000.00
General Infrastructure	23,806,894.65	5,812,102.00	10,558,686.23	19,060,310.42
Total Capital Assets, Depreciable	<u>327,553,551.07</u>	<u>27,071,734.26</u>	<u>14,112,840.59</u>	<u>340,512,444.74</u>
Less Accumulated Depreciation/Amortization for:				
Buildings	52,771,225.18	6,075,984.49	1,336,720.20	57,510,489.47
Machinery and Equipment	6,291,612.22	1,549,032.03	764,634.16	7,076,010.09
Art, Literature, and Artifacts	50,543.38	10,359.96	-	60,903.34
General Infrastructure	3,900,081.95	233,563.57	1,078,453.59	3,055,191.93
Total Accumulated Depreciation	<u>63,013,462.73</u>	<u>7,868,940.05</u>	<u>3,179,807.95</u>	<u>67,702,594.83</u>
Total Capital Assets, Depreciable, Net	<u>264,540,088.34</u>	<u>19,202,794.21</u>	<u>10,933,032.64</u>	<u>272,809,849.91</u>
Capital Assets, Net	<u>\$298,090,350.09</u>	<u>\$ 36,884,894.09</u>	<u>\$ 21,002,748.87</u>	<u>\$313,972,495.31</u>

**NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	Balance
Accounts Payable	\$ 4,104,339.04
Accrued Payroll	988,717.08
Accrued Liabilities	528,040.03
Contract Retainage	839,449.21
	<u>\$ 6,460,545.36</u>

**CENTRAL PIEDMONT COMMUNITY COLLEGE  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 6 - LONG-TERM LIABILITIES**

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

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Note payable	\$ 9,547,995.78	\$ -	\$ 6,132,440.31	\$ 3,415,555.69	\$ 227,967.23
Capital Lease Obligation	-	5,820,720.95	-	5,820,720.95	631,988.95
Compensated absences	6,239,168.79	3,783,749.11	3,543,133.96	6,479,783.94	769,149.86
	<u>\$ 15,787,164.57</u>	<u>\$ 9,604,470.06</u>	<u>\$ 9,675,574.27</u>	<u>\$ 15,716,060.58</u>	<u>\$ 1,629,106.04</u>

The annual requirements to pay principal and interest on the note payable and capital lease obligation at June 30, 2013, are as follows:

Fiscal Year	Note Payable			Capital Lease Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 227,967.23	\$ 135,491.23	\$ 363,458.46	\$ 631,988.95	\$ 153,836.11	\$ 785,825.06
2015	247,466.67	125,805.54	373,272.21	498,361.96	195,486.74	693,848.70
2016	268,048.55	115,302.19	383,350.74	492,456.41	177,188.00	669,644.41
2017	289,765.28	103,935.97	393,701.25	486,060.99	158,142.75	644,203.74
2018	312,671.52	91,659.42	404,330.94	480,078.90	139,824.46	619,903.36
2019-2023	1,953,824.56	238,655.36	2,192,479.92	2,147,832.17	437,230.67	2,585,062.84
2024-2027	115,811.88	790.32	116,602.20	1,083,941.57	88,768.90	1,172,710.47
Total	<u>\$ 3,415,555.69</u>	<u>\$ 811,640.03</u>	<u>\$ 4,227,195.72</u>	<u>\$ 5,820,720.95</u>	<u>\$ 1,350,477.63</u>	<u>\$ 7,171,198.58</u>

**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, 2013	Principal Outstanding June 30, 2013
Energy Management Contract	SunTrust Equipment Financing & Leasing Corp.	4.09%	09/01/2023	\$ 3,626,784.00	\$ 211,228.31	\$ 3,415,555.69

The Energy Management Contract Note Payable 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  
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**C. Capital Lease Obligation** - During fiscal 2013, at the request of Mecklenburg County (the "County"), CPCC transferred the deed to its parking deck at the corner of Charlottetown Avenue and East 4<sup>th</sup> Street to the County. CPCC continues to be obligated to repay the County for the County's bond proceeds used to fund the construction of the parking deck, however, in connection with the transfer of the deed, CPCC entered into a lease agreement with the County which calls for annual lease payments of \$1 and a bargain purchase option of \$1 at the end of the lease term in March, 2027. CPCC retains the rights to use and operate the deck and repays the County from parking fees earned. The College payments are due quarterly in arrears. The parking deck was constructed via County-issued Variable Rate Certificates of Participation (2005 and 2007A Mecklenburg County) of which a portion was used to fund the parking deck construction.

The substance of the transaction created a capital lease obligation whereby the principal and interest payments on the existing obligation to the County are, in substance, considered to be the lease payments. At the transaction date, the College removed the net book value of the parking deck from capital assets and recorded a new capital asset based on the present value of future minimum lease payments. The difference between the net book value of the prior capital asset, the book value of the new capital asset, the carrying value of the note payable to the County, and the present value of the future capital lease payments has been recorded as a deferred outflow and will be amortized on the straight-line basis over the term of the lease agreement. As of June 30, 2013 the deferred outflow amount was \$4,074,239.64.

**NOTE 7 - OPERATING LEASES**

**A. Operating Lease Obligations** - Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2013:

Fiscal Year	Amount
2014	\$ 454,926.52
2015	427,190.89
2016	650,000.00
2017	650,000.00
2018	650,000.00
2019-2023	2,208,333.33
2024-2028	2,000,000.00
2029-2034	400,000.00
Total Minimum Lease Payments	\$ 7,440,450.74

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WTVI is leasing its operating facility, broadcast towers and land from the Mecklenburg County for \$1 over a period of 50 years unless sooner terminated. The estimated insured value of the operating facility (excluding contents), broadcast towers and land is approximately \$3,000,000.

Rental expense for all operating leases during the year was \$642,729.

**NOTE 8 - REVENUES**

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

	Gross Revenues	Less Internal Sales Eliminations	Less Scholarship Discounts	Less Bad Debt Expense	Net Revenues
<b>Operating Revenues:</b>					
Student Tuition and Fees	\$ 40,905,366.79	\$ -	\$ 16,151,233.32	\$ (284,655.27)	\$ 25,038,788.74
<b>Sales and Services:</b>					
<b>Sales and Services of Auxiliary Enterprises</b>					
Student Union Services	1,154,050.64	-	-	-	1,154,050.64
Parking	3,194,608.95	-	-	-	3,194,608.95
Pookstare and Vending Commissions	1,665,212.80	-	-	-	1,665,212.80
Harris Conference Center	1,208,491.97	40,958.50	-	-	1,167,533.47
Theatre and The Arts	503,294.39	-	-	-	503,294.39
Center for Applied Research	615,290.77	1,500.00	-	-	613,790.77
WTVI	3,229,586.10	1,677,248.16	-	-	1,552,337.94
Other Campus Service Centers	1,013,012.90	700,059.58	-	-	312,953.32
Other	130,325.51	-	-	-	130,325.51
<b>Total Sales and Services</b>	<b>\$ 12,713,874.03</b>	<b>\$ 2,419,766.24</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,294,107.79</b>

**NOTE 9 - LEASE REVENUES**

CPCC receives rental revenue as lessor of broadband capacity, tower space and excess Instruction Television Fixed Service airtime. Revenue related to the lease of broadband capacity is included in Other Nonoperating Revenues, Net of Expenses and revenue related to tower space and Instructional Television Fixed Service airtime is located in Sales and Services, Net.



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

Fiscal Year	Amount
2014	\$ 379,442.66
2015	229,555.91
2016	223,105.91
2017	223,105.91
2018	217,480.91
2019-2023	941,381.22
2024-2028	923,333.33
2029-2033	923,333.33
2034-2037	738,666.68
Total Minimum Lease Revenue	<u>\$ 4,799,405.86</u>

**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	\$ 53,938,512.77	\$ 1,902,423.05	\$ 3,207,200.08	\$ 99,159.03	-	-	\$ 59,147,294.93
Academic Support	10,308,903.10	1,070,227.73	675,906.73	-	-	-	12,055,037.56
Student Services	11,722,923.28	268,273.15	1,390,516.06	395,309.44	-	-	13,777,021.93
Institutional Support	17,767,641.37	1,050,563.98	3,350,589.02	43,098.00	-	-	22,211,892.37
Operations and Maintenance of Plant	1,471,355.08	4,197,763.18	9,166,449.51	-	3,669,450.65	-	18,505,018.42
Student Financial Aid	-	-	60,677.73	25,201,098.42	-	-	25,261,776.15
Auxiliary Enterprises	5,245,762.04	2,785,656.81	4,879,388.28	27,299.42	885.30	-	12,938,991.85
Depreciation	-	-	-	-	-	7,868,940.05	7,868,940.05
Total Operating Expenses	<u>\$ 100,455,097.64</u>	<u>\$ 11,274,907.90</u>	<u>\$ 22,730,727.41</u>	<u>\$ 25,765,964.31</u>	<u>\$ 3,670,335.95</u>	<u>\$ 7,868,940.05</u>	<u>\$ 171,765,973.26</u>

**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 (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 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

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June 30, 2013, these rates were set at 8.33% 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 \$79,178,997.35 of which \$64,075,917.95 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$5,337,523.97 and \$3,844,376.37 respectively.

Required employer contribution rates for the years ended June 30, 2012, and 2011, were 7.44% and 4.93%, respectively, while employee contributions were 6.00% each year. The College made 100% of its annual required contributions for the years ended June 30, 2013, 2012, and 2011, which were \$5,337,523.97, \$4,555,018.11, and \$2,987,588.51, respectively.

The TSERS financial information is included in the state of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

- 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 \$211,488.25 for the year ended June 30, 2013.

**Internal Revenue Code Section 401(k) Plan** - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The

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voluntary contributions by employees amounted to \$786,420.76 for the year ended June 30, 2013.

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 amounted to \$114,386.79 for the year ended June 30, 2013.

IRC Section 403(b) - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b). 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 \$350,995.58 for the year ended June 30, 2013.

**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 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

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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 determined by the General Assembly.

For the current fiscal year, the College contributed 5.30% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2012 and 2011 were 5.0% and 4.9%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2013, 2012, and 2011, which were \$3,396,023.65, \$3,061,168.08, and \$2,969,408.46, 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) 707-0500.

- B. Disability Income** - The College participates in the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to provide short-term and long-term disability benefits to eligible members of the Teachers' and State Employees' Retirement System. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes, and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2013, the College made a statutory contribution of .44% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2012, and 2011, were .52%. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2013, 2012, and 2011, which were \$281,934.04, \$318,361.48 and \$315,120.90, 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*.

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**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 the Public School Insurance Fund (Fund), a state-administered public entity risk pool. The Fund is financed by premiums and interest collected through membership participation and retains a \$10,000,000 deductible per occurrence. Reinsurance is purchased by the Fund to cover catastrophic events in excess of the \$10,000,000 deductible. Membership insured 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 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 covered by private insurance. Employee dishonesty coverage

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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 a private insurance company to cover instructors and students in the Health Sciences programs with a liability limit of \$1,000,000 per claim and a \$3,000,000 aggregate. There is a deductible of \$1,000.

The College purchased Broadcaster's Liability coverage from a private insurance company to cover (PBS station WTVI that became a part of CPCC 07/03/2012) News Media and Multimedia, with a \$2,000,000 limit of liability and \$5,000 retention amount, Internet Liability Coverage, with a \$2,000,000 limit of liability and \$5,000 retention amount.

The College purchased Cyber Liability coverage from a private insurance company to cover Media Content Insurance with a \$1,000,000 sub limit liability and a \$50,000 retention, Security and Privacy Liability Insurance with a \$1,000,000 sub limit liability and a \$50,000 retention, Regulatory Action with a \$250,000 sub limit liability, Event Management Insurance with a \$250,000 sub limit liability and a \$50,000 retention and Cyber Extortion Insurance with a \$1,000,000 sub limit liability and a \$50,000 retention.

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.

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**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 \$4,471,482.88 as of June 30, 2013.

In the normal course of business, the College is involved in various legal proceedings and disputes regarding employment and other matters. In the opinion of the College, the ultimate resolution of these matters will not have a material impact on the financial position or operations of the College.

Federal funded financial aid programs are subject to special audits. Such audits could result in claims against the resources of the College.

**NOTE 15 - RELATED PARTIES**

The Foundation is a separately incorporated non-profit 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 and expenses paid to the Foundation. Support received was \$2,034,887.54 for the year ended June 30, 2013 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, 2013, the College made a payment of \$250,000.00 to the Foundation. A pro rata share of this payment is in Services Expense on the Statement of Revenues, Expenses and Changes in Net Position and in Prepaid Items on the Statement of Net Position.

**NOTE 16 - SPECIAL ITEM - MERGER OF WTVI**

On July 3, 2012, at the request of the Mecklenburg County, The College acquired the Charlotte Mecklenburg Broadcasting Authority ("WTVI") for \$1.00. The Federal Communications Commission ("FCC") awarded the broadcasting license for WTVI to the College effective July 3, 2012. The College applied the provisions of Statement No. 69 in recording the transaction. The transaction was determined to qualify as a merger of a non-governmental entity into a governmental entity.

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The assets and liabilities remaining in WTVI as of July 3, 2012, were transferred to the College at their respective carrying values. The College made adjustments to the carrying amount of fixed assets at the time of the purchase to conform to accounting policies used by the College. The adjusted net position of WTVI has been recorded as a Special Item on the Statement of Revenues, Expenses and Changes in Net Position.

	<b>CPCC</b>	<b>WTVI</b>		<b>Combined</b>
	<b>July 1, 2012</b>	<b>July 1, 2012</b>	<b>Adjustments</b>	<b>July 1, 2012</b>
<b>ASSETS</b>				
Current Assets	\$ 32,888,302.53	\$ 335,684.00	\$ -	\$ 33,223,986.53
Noncurrent Assets	<u>304,118,575.14</u>	<u>5,248,685.00</u>	<u>(3,103,515.00)</u>	<u>306,263,745.14</u>
Total Assets	<u>337,006,877.67</u>	<u>5,584,369.00</u>	<u>(3,103,515.00)</u>	<u>339,487,731.67</u>
<b>LIABILITIES</b>				
Current Liabilities	12,122,539.19	310,674.00	-	12,433,213.19
Noncurrent Liabilities	<u>16,147,859.32</u>	<u>7,858.00</u>	<u>-</u>	<u>16,155,717.32</u>
Total Liabilities	<u>28,270,398.51</u>	<u>318,532.00</u>	<u>-</u>	<u>28,588,930.51</u>
<b>NET POSITION</b>				
Net investment in Capital Assets	288,542,354.31	5,200,344.00	(3,103,515.00)	290,639,183.31
Restricted for: Expendable:				
Loans	13,522.00	-	-	13,522.00
Capital Projects	5,043,663.73	-	-	5,043,663.73
Unrestricted	<u>15,136,939.12</u>	<u>65,493.00</u>	<u>-</u>	<u>15,202,432.12</u>
Total Net Position	<u>\$ 308,736,479.16</u>	<u>\$ 5,265,837.00</u>	<u>\$ (3,103,515.00)</u>	<u>\$ 310,898,801.16</u>

**NOTE 17 - SUBSEQUENT EVENTS**

The College has evaluated subsequent events through October 30, 2013, which is the date the financial statements were available to be issued.

**NOTE 18 - AUDIT HOURS AND COST**

This audit required 375 audit hours at an approximate cost of \$40,100. The cost represents 0.01% of the College's total assets and 0.02% of total expenses subjected to audit.



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of the Board of Trustees  
Central Piedmont Community College  
Charlotte, 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 Central Piedmont Community College and the discretely presented component unit as of and for the years ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 30, 2013. The financial statements of Central Piedmont Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

**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.

*Cherry Bekaert LLP*

Charlotte, North Carolina  
October 30, 2013