



FINANCIAL STATEMENT REPORT

FOR THE YEAR ENDED JUNE 30, 2014



TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1	
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3	
FINANCIAL STATEMENTS		
COLLEGE EXHIBITS		
A-1 STATEMENT OF NET POSITION.....	11	
A-2 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION ...	12	
A-3 STATEMENT OF CASH FLOWS.....	13	
COMPONENT UNIT EXHIBITS		
B-1 STATEMENT OF FINANCIAL POSITION	15	
B-2 STATEMENT OF ACTIVITIES.....	16	
NOTES TO THE FINANCIAL STATEMENTS.....	17	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>		38

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, 2014, 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 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. 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, 2014, 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

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 August 29, 2014 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
August 29, 2014

CENTRAL PIEDMONT COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

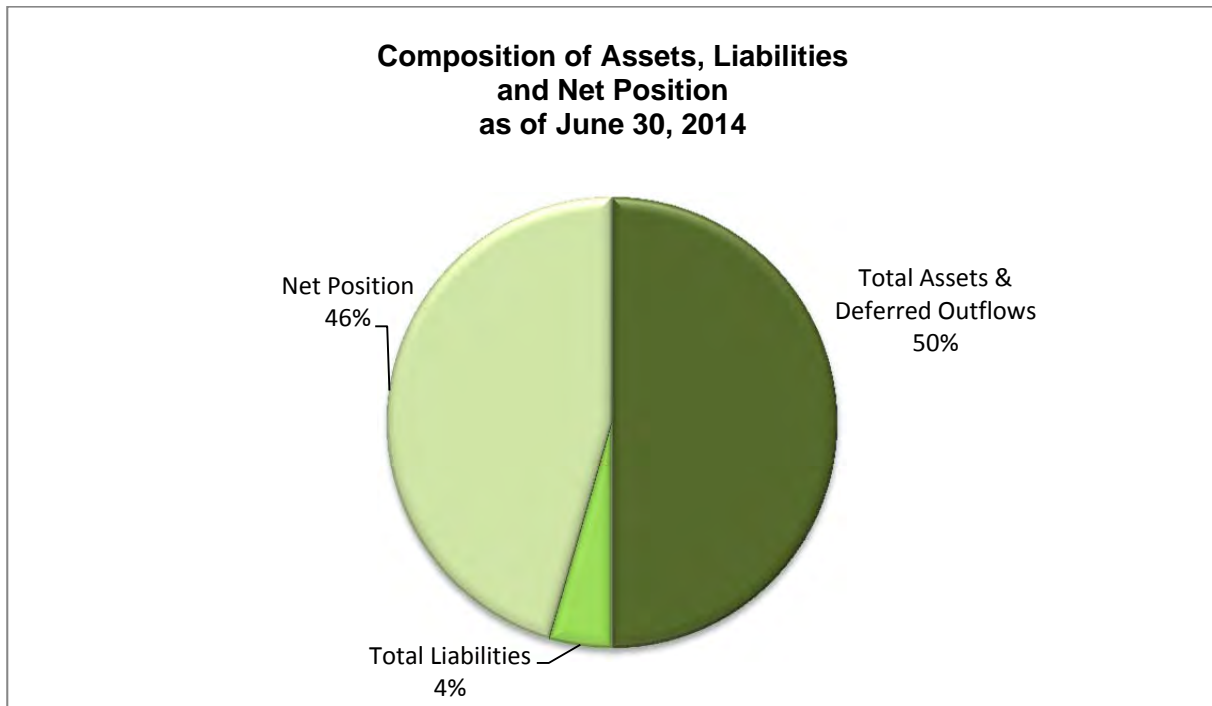
Introduction

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, 2014, with selected comparative information for the year ended June 30, 2013. 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 3,400 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 290 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, 2014. The composition of the College's Assets and Deferred Outflows, Liabilities and Deferred Inflows, and Net Position is presented below.



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

Financial Highlights (continued)

Changes in net position represent the operating and non-operating activity of the College and are summarized for the years ended June 30, 2014 and 2013, as follows:

	<u>2014</u>	<u>2013</u>	<u>Difference</u>
Operating revenues	\$ 35,739,739	\$ 35,630,548	\$ 109,191
Operating expenses	(180,496,305)	(171,765,973)	(8,730,332)
Net nonoperating revenues	133,921,590	127,474,498	6,447,092
Capital aid revenues	<u>19,794,796</u>	<u>28,681,111</u>	<u>(8,886,315)</u>
Increase in net position	<u>\$ 8,959,820</u>	<u>\$ 20,020,184</u>	<u>\$ (11,060,364)</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.

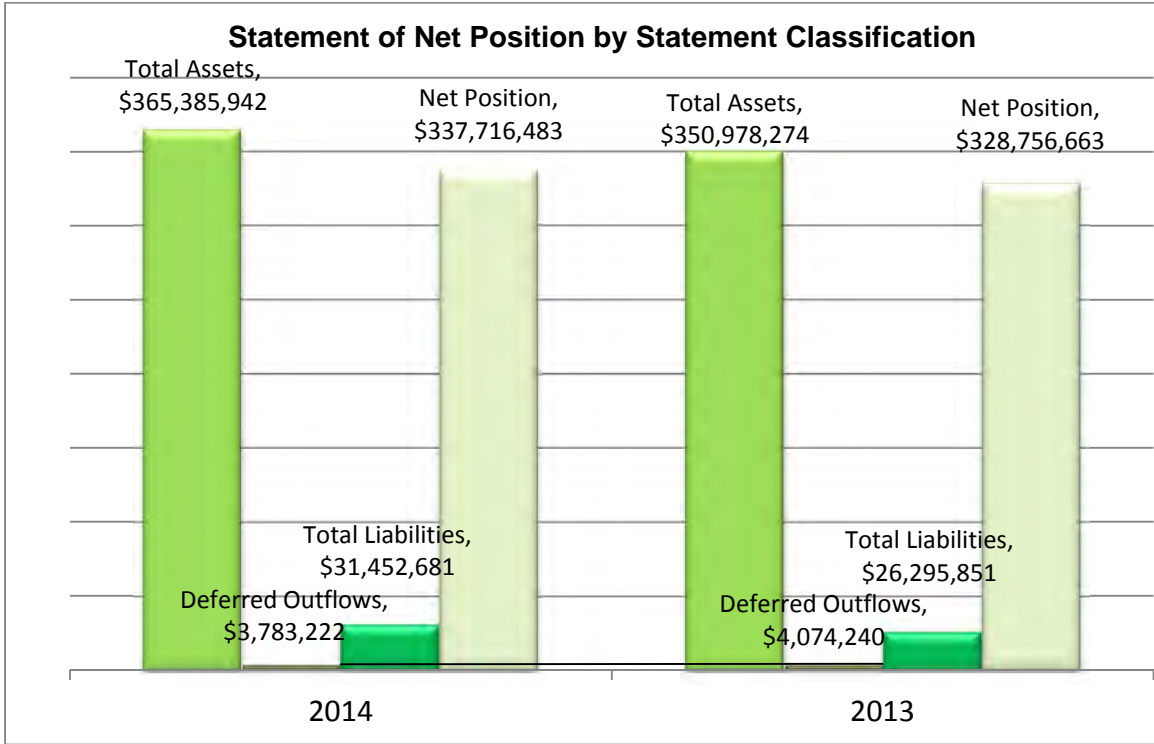
Statement of Net Position

The Statement of Net Position presents the financial position of the College at the end of the fiscal year and includes all assets, deferred inflows, liabilities, and deferred outflows of the College. The difference between total assets and total liabilities and deferred inflows and outflows, 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.

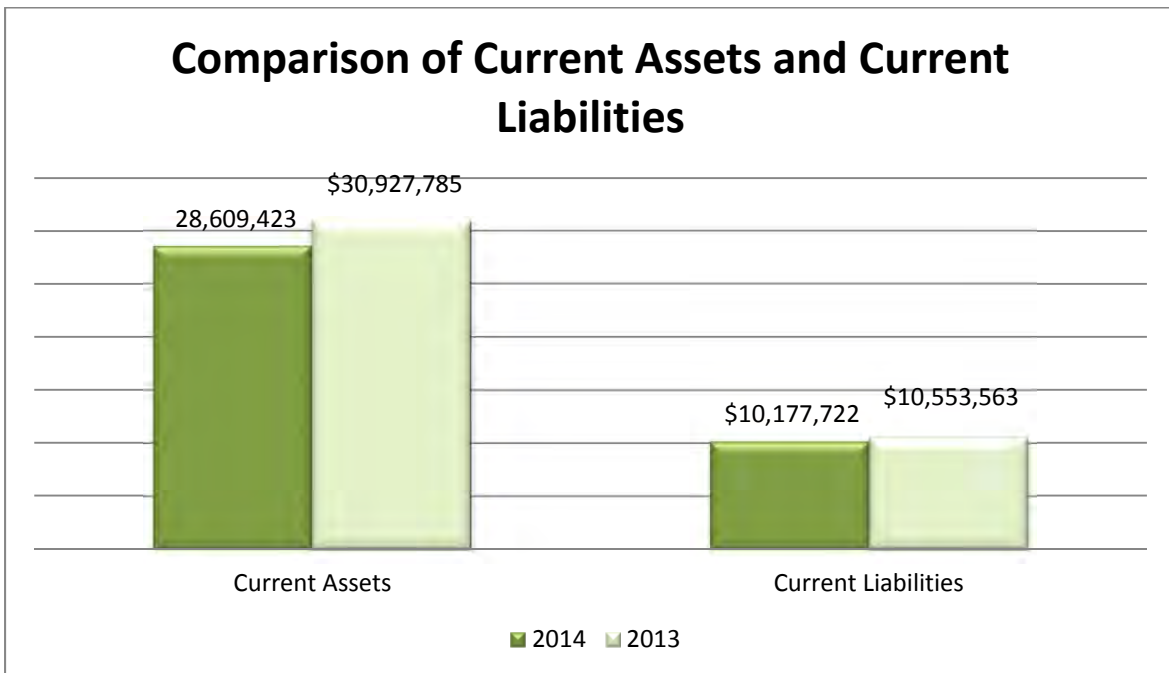
**CENTRAL PIEDMONT COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Net Position (continued)

A summarized comparison of the College's assets, deferred outflows, liabilities and net position at June 30, 2014 and 2013, is presented below:



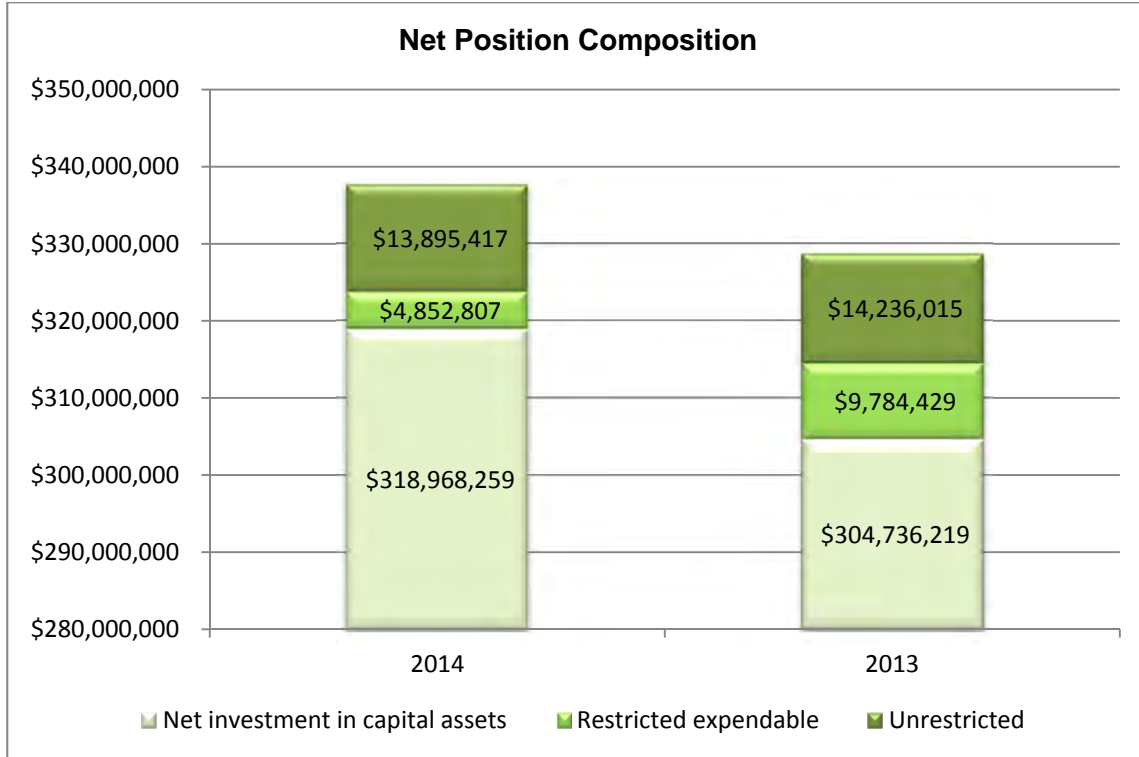
The College's current assets decreased \$2,318,362 while current liabilities decreased \$375,841.



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

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, 2014 and 2013 are summarized below:



Net investment in capital assets represents the College's capital assets of \$330,019,275 less related debt of \$14,834,238, plus deferred outflows of \$3,783,222. Net investment in capital assets increased \$14,232,040, or 4.67% due to capitalizations of building projects that were in progress, purchases 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**

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, 2014 and 2013:

	2014	2013	Difference
Operating Revenues:			
Student tuition and fees, net	\$ 24,610,363	\$ 25,038,789	\$ (428,426)
Sales and services, and other	11,129,376	10,591,759	537,617
Total operating revenues	<u>35,739,739</u>	<u>35,630,548</u>	<u>109,191</u>
Operating expenses	<u>180,496,305</u>	<u>171,765,973</u>	<u>8,730,332</u>
Operating loss	(144,756,566)	(136,135,425)	(8,621,141)
Nonoperating and other revenues (expenses)			
State aid	52,832,824	53,183,232	(350,408)
County appropriations	30,883,974	27,099,486	3,784,488
Noncapital grants and gifts	50,054,810	47,352,030	2,702,780
Capital contributions and special items	19,794,796	28,681,111	(8,886,315)
Interest on capital asset related debt	(709,914)	(378,886)	(331,028)
Net interest income	105,921	120,497	(14,576)
Other nonoperating revenue (expenses)	753,975	98,139	655,836
Net nonoperating revenues	<u>153,716,386</u>	<u>156,155,609</u>	<u>(2,439,223)</u>
Increase in net position	8,959,820	20,020,184	(11,060,364)
Net position, beginning of year	<u>328,756,663</u>	<u>308,736,479</u>	<u>20,020,184</u>
Net position, end of year	<u>\$ 337,716,483</u>	<u>\$ 328,756,663</u>	<u>\$ 8,959,820</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.

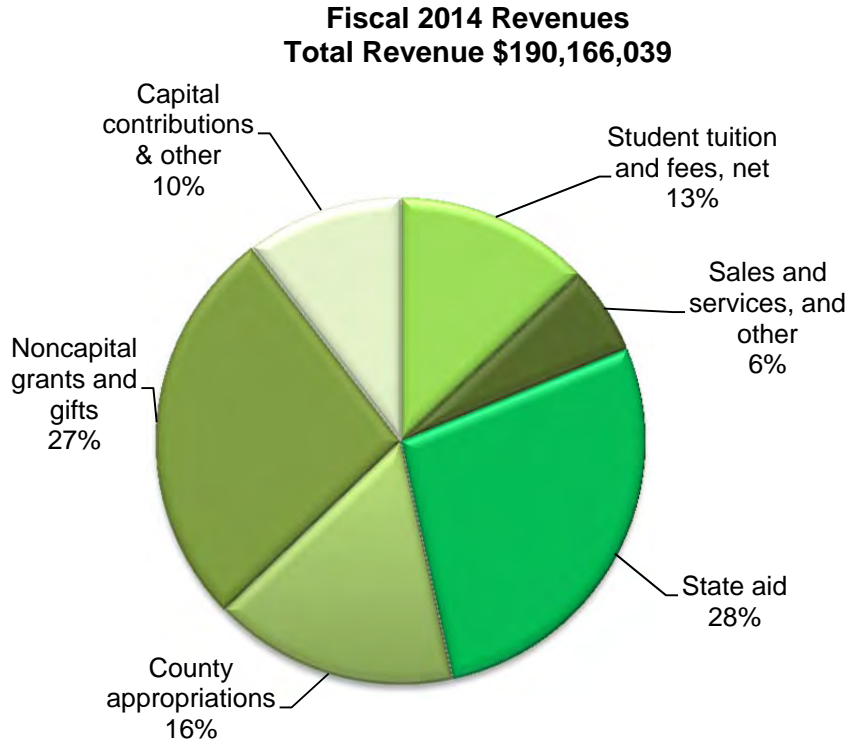
The College continues to make revenue diversification, along with cost containment, an ongoing effort. This is necessary as the College continues to face financial pressures, particularly in the areas of compensation and benefits, energy and technology costs.

Tuition and State appropriations are the primary sources of funding for the College's academic programs. Capital contributions decreased 30.98% due to a decrease in County capital aid revenue. County funding is vital and allowed the College to continue with its long term capital plan and significant construction projects.

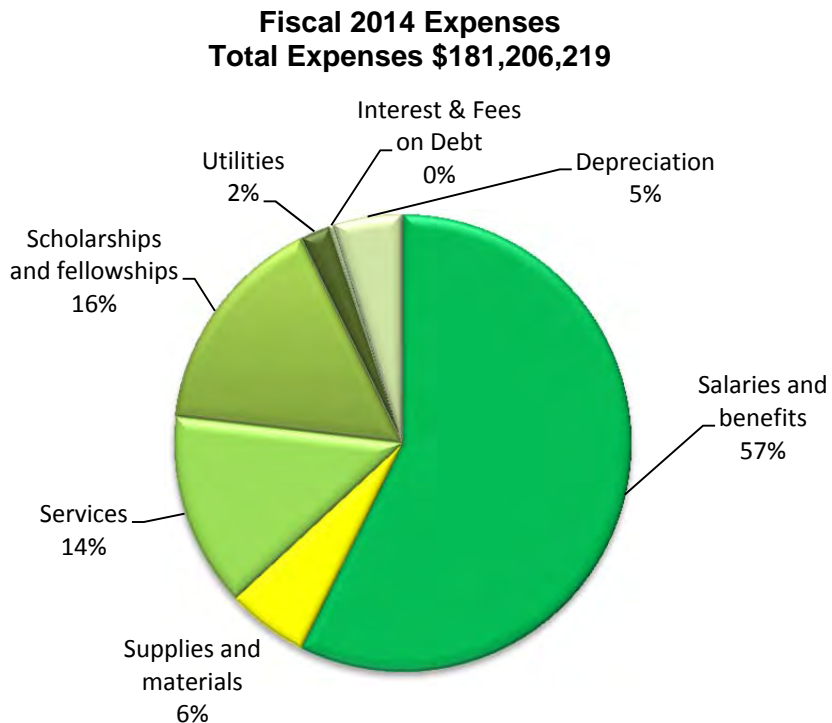
**CENTRAL PIEDMONT COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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



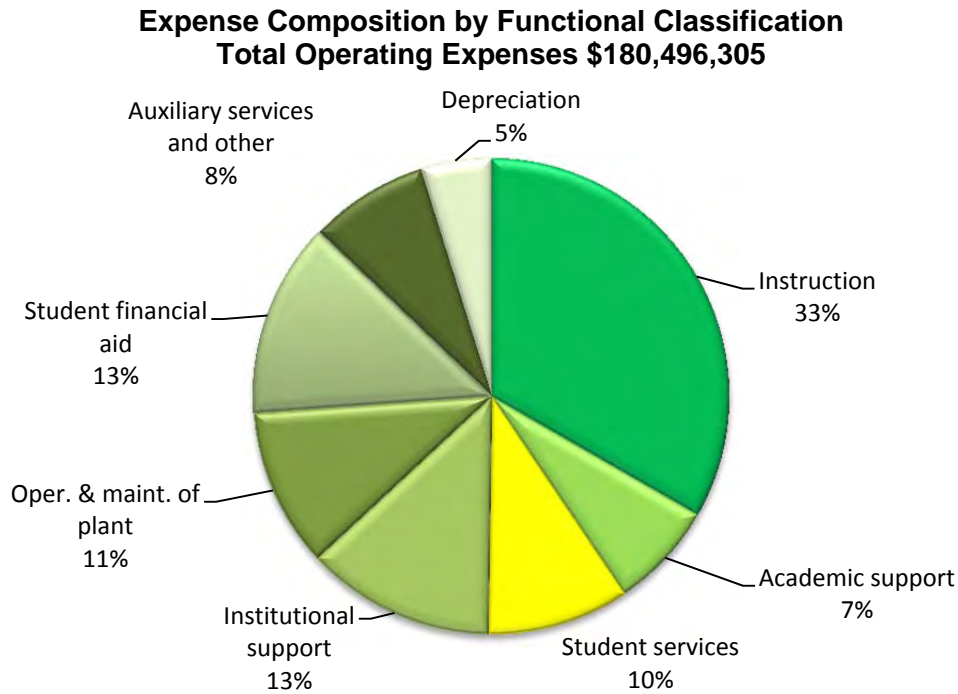
The composition of the College's expenses by natural classification is as follows:



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

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, 2014, is as follows:



Capital Activities

The College was able to maintain its capital activity during fiscal 2014 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 \$26,485,827 on capital asset projects in 2014 as compared to \$27,285,836 in 2013. 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 \$17,363,012.

CENTRAL PIEDMONT COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors that will Affect 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 2.00% from its budget allocations for potential reversion in fiscal year 2015. Alternatively, the County has implemented a 4.53% budget increase for the College in 2015 after a 13.96% increase in 2014. The College has adjusted its respective budgets accordingly.

Effective July 1, 2014, the North Carolina General Assembly increased the in-state tuition rate for community college students to \$72.00 per credit hour from \$71.50 per credit hour and the out-of-state tuition rate to \$264.00 per credit hour from \$263.50 per credit hour.

The College will continue to execute its long-range plan to modernize and expand its campus infrastructure and facilities. Mecklenburg County officials passed a \$210 million bond referendum on November 5, 2013. The County authorized an additional \$70 million in capital funding for potential total capital funding of \$280 million that is available as of 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, 2014

Exhibit A-1

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 22,257,748
Restricted Cash and Cash Equivalents	3,111,199
Receivables, Net (Note 3)	2,564,949
Due from Community College Component Units	56,699
Inventories	351,183
Prepaid Items	267,645
	<hr/>
Total Current Assets	28,609,423

Noncurrent Assets:

Restricted Cash and Cash Equivalents	1,558,199
Receivables, Net (Note 3)	4,874,512
Restricted Due from Primary Government	70,998
Prepaid & Other Assets	253,535
Capital Assets - Nondepreciable (Note 4)	34,648,641
Capital Assets - Depreciable, Net (Note 4)	295,370,634
	<hr/>
Total Noncurrent Assets	336,776,519

Total Assets	<hr/> <hr/> 365,385,942
--------------	-------------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources (Note 6)	<hr/> 3,783,222
---	-----------------

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	5,892,561
Unearned Revenue	2,131,499
Funds Held for Others	478,657
Long-Term Liabilities - Current Portion (Note 6)	1,675,005
	<hr/>
Total Current Liabilities	10,177,722

Noncurrent Liabilities:

Unearned Revenue	1,686,667
Long-Term Liabilities (Note 6)	19,588,292
	<hr/>
Total Noncurrent Liabilities	21,274,959

Total Liabilities	<hr/> <hr/> 31,452,681
-------------------	------------------------

DEFERRED INFLOWS OF RESOURCES

	<hr/> -
--	---------

NET POSITION

Net Investment in Capital Assets	318,968,259
Restricted for:	
Expendable:	
Loans	7,776
Capital Projects	4,845,031
Unrestricted	<hr/> 13,895,417
Total Net Position	<hr/> <hr/> <hr/> \$ 337,716,483

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, 2014***

Exhibit A-2

REVENUES

Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	\$ 24,610,363
Sales and Services, Net (Note 8)	10,803,092
Other Operating Revenues	326,284
	<hr/>
Total Operating Revenues	35,739,739
	<hr/>

EXPENSES

Operating Expenses:	
Salaries and Benefits	103,862,852
Supplies and Materials	10,485,287
Services	24,932,679
Scholarships and Fellowships	28,647,941
Utilities	3,860,317
Depreciation	8,707,229
	<hr/>
Total Operating Expenses	180,496,305
	<hr/>
Operating Loss	(144,756,566)
	<hr/>

NONOPERATING REVENUES (EXPENSES)

State Aid	52,832,824
County Appropriations	30,883,974
Noncapital Grants - Student Financial Aid	41,404,063
Noncapital Grants	6,796,188
Noncapital Gifts	1,854,559
Investment Income	105,921
Interest and Fees on Debt	(709,914)
Other Nonoperating Revenues	753,975
	<hr/>
Net Nonoperating Revenues	133,921,590
	<hr/>
Loss Before Other Revenues, Expenses, Gains, and Losses	(10,834,976)
	<hr/>
State Capital Aid	3,284,119
County Capital Aid	14,345,924
Capital Gifts	2,164,753
	<hr/>
Total Capital Aid	19,794,796
	<hr/>
Increase in Net Position	8,959,820
	<hr/>

NET POSITION

Net Position, July 1, 2013	328,756,663
	<hr/>
Net Position, June 30, 2014	\$ 337,716,483
	<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, 2014

Exhibit A-3

Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Received from Customers	\$ 36,023,653
Payments to Employees and Fringe Benefits	(103,940,702)
Payments to Vendors and Suppliers	(38,115,765)
Payments for Scholarships and Fellowships	(28,757,289)
Other Payments	(1,010,769)
	<hr/>
Net Cash Used by Operating Activities	(135,800,872)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid Received	52,832,824
County Appropriations	30,883,974
Noncapital Grants - Student Financial Aid	41,404,063
Noncapital Grants	6,841,188
Noncapital Gifts and Endowments	2,043,206
	<hr/>
Net Cash Provided by Noncapital Financing Activities	134,005,255

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Aid Received	4,569,200
County Capital Aid	14,345,924
Capital Gifts	2,164,753
Proceeds from Capital Debt	6,457,918
Acquisition and Construction of Capital Assets	(26,485,828)
Principal Paid on Capital Debt and Leases	(859,957)
Interest Paid on Capital Debt and Leases	(709,913)
	<hr/>
Net Cash Used by Capital and Related Financing Activities	(517,903)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	105,921
	<hr/>
Net Cash Provided by Investing Activities	105,921
	<hr/>
Net Decrease in Cash and Cash Equivalents	(2,207,599)
Cash and Cash Equivalents, July 1, 2013	29,134,745
	<hr/>
Cash and Cash Equivalents, June 30, 2014	\$ 26,927,146

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, 2014

Exhibit A-3

Page 2 of 2

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

Operating Loss	\$ (144,756,566)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	8,707,229
Provision for Uncollectible Loans and Write-Offs	19,065
Nonoperating Other Income	999,601
Changes in Assets and Liabilities:	
Receivables, Net	(1,987,444)
Inventories	(93,514)
Prepaid Items	310,697
Accounts Payable and Accrued Liabilities	918,208
Unearned Revenue	84,681
Funds Held for Others	47,896
Compensated Absences	(50,725)
	<u>(50,725)</u>
Net Cash Used by Operating Activities	<u>\$ (135,800,872)</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:	
Cash and Cash Equivalents	\$ 22,257,748
Restricted Cash and Cash Equivalents	<u>4,669,398</u>
Total Cash and Cash Equivalents - June 30, 2014	<u>\$ 26,927,146</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	\$ 4,143,474
Assets Acquired through a Gift	73,829
Loss on Disposal of Capital Assets	(245,626)

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, 2014

Exhibit B-1

ASSETS

Cash and cash equivalents	\$ 2,087,515
Pledges receivable (Note 3)	2,457,750
Other current assets	<u>54,635</u>
Total Current Assets	4,599,900
Investments (Note 2)	30,804,002
Pledges receivable, non-current, net (Note 3)	9,047,691
Cash surrender value of life insurance	9,906
Property held for sale	42,000
Real estate held under operating leases	<u>3,339,500</u>
Total Assets	<u>\$ 47,842,999</u>

LIABILITIES

Accounts payable	\$ 185,222
Deferred revenue	250,000
Deferred compensation payable	366,488
Obligations under annuity agreements	30,200
Note payable	<u>98,825</u>
Total Current Liabilities	930,735
Deferred revenue, non-current	229,167
Obligations under annuity agreements, non-current	319,997
Note payable, non-current	<u>2,059,562</u>
Total Liabilities	<u>3,539,461</u>

NET ASSETS

Unrestricted	3,126,177
Temporarily restricted	15,211,295
Permanently restricted	<u>25,966,066</u>
Total Net Assets	<u>44,303,538</u>
Total Liabilities and Net Assets	<u>\$ 47,842,999</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, 2014

Exhibit B-2

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and gains:		
Contributions	\$	555,685
Contributions other than cash		82,180
Investment return		370,667
Rental income		206,394
Other income		351,549
		<hr/>
Total Unrestricted Revenues and Gains		1,566,475
Total Net Assets Released from Restrictions		<hr/>
		6,736,326
		<hr/>
Total Unrestricted Revenues, Gains, and Other support		8,302,801
Expenses and losses:		
Scholarships		1,083,142
Sponsored programs		5,993,476
Management and general		569,933
Fund raising		577,781
		<hr/>
Total Expenses		8,224,332
		<hr/>
Increase in Unrestricted Net Assets		78,469

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Revenues and gains:		
Contributions		4,884,194
Contributions other than cash		3,738,756
Investment return		3,359,076
Rental income		109,773
Other income		4,791
		<hr/>
Total Temporarily Restricted Revenues and Gains		12,096,590
Total Net Assets Released from Restrictions		<hr/>
		(6,746,326)
		<hr/>
Increase in Temporarily Restricted Net Assets		5,350,264

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Revenues and gains:		
Contributions		875,959
Adjustments to pledges receivable, net		(20,000)
		<hr/>
Total Permanently Restricted Revenues and Gains		855,959
Total Net Assets Released from Restrictions		<hr/>
		10,000
		<hr/>
Increase in Permanently Restricted Net Assets		865,959
Increase in Net Assets		6,294,692
Net Assets at Beginning of Year		<hr/>
		38,008,846
Net Assets at End of Year	\$	<hr/> <hr/>
		44,303,538

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, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity – The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. 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:

- Central Piedmont Community College Services Corporation, Inc. (“CPCC Service Corp. Inc.”): This organization manages projects for the College, including the Harris Conference Center, the Center for Applied Research, CPCC Press, Performing Arts Facilities and various other projects.
- WTVI Foundation Inc.: This organization provides funding to support the activities of WTVI, a public telecommunications station operated by the College.

CPCC Service Corp. Inc.’s condensed financial statements are presented as follows:

Condensed Statement of Net Position
June 30, 2014

Total Assets	\$ 4,691,938
Total Liabilities	467,186
Total Net Position	<u>\$ 4,224,752</u>

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

Operating Revenues	
Sales and Services	\$ 2,641,733
Operating Expenses	
Salaries and Benefits	1,294,662
Services	439,832
Other expenses	493,234
Total Operating Expenses	2,227,728
Non-Operating Revenues	
Interest Income	13,677
Transfers from CPCC lessor rentals	204,562
Change in Net Position	632,244
Net Position, July 1, 2013	3,592,508
Net Position, June 30, 2014	\$ 4,224,752

Condensed Statement of Cash Flows
For the Year Ended June 30, 2014

Net Cash Provided by Operating Activities	\$ 723,364
Cash and Cash Equivalents, July 1, 2013	3,458,026
Cash and Cash Equivalents, June 30, 2014	\$ 4,181,390

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

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014. 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.

- 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 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

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 for which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.
- 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.

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.

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.

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

- I. Deferred Outflows** – Deferred outflows consist of the loss related to the sale-leaseback transaction on a CPCC Parking Deck. The deferred outflow expense will be recognized into expense over the term of the lease.
- J. 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.
- K. Noncurrent Liabilities** – Noncurrent liabilities include notes payable 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.
- L. 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.

- M. Unearned Revenue** – Unearned revenue consists of tuition and fees for summer courses that are collected prior to year end and for cash received for rental of the College’s broadband capacity, tower space and excess Instruction Television Fixed Service airtime leased by CPCC to a third party (see Note 9).

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

N. Funds Held for Others – Funds Held for Others consist primarily of payroll withholdings that have not yet been disbursed to the respective third party.

O. Net Position – The College's Net Positions are 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. Additionally, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of capital assets or related debt are also included in this component of net position.

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, 2014.

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

P. Scholarship Discounts – Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship discounts in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. The scholarship discount is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, State, or nongovernmental programs, are recorded as non-operating 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

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

tuition, fees, and other charges, the College has recorded a scholarship discount.

- Q. Revenue and Expense Recognition** – The College classifies its revenues and expenses as operating, non-operating or capital contributions 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*.

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

- R. 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.
- S. 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.

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 and deposits in private financial institutions with a carrying value of \$7,656,292 and a bank balance of \$8,519,229.

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

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2014, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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
JUNE 30, 2014**

At June 30, 2014, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$19,253,179 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 1.6 years as of June 30, 2014. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "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	\$ 3,788,621	\$ 3,788,621
Mutual funds		
Equity	5,101,399	6,174,900
Fixed income	2,098,982	2,088,316
Private investment funds	<u>16,945,579</u>	<u>18,752,165</u>
 Total investments	 <u>\$ 27,934,581</u>	 <u>\$ 30,804,002</u>

**CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 - RECEIVABLES

A. College - The College's receivables at June 30, 2014, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	\$ 2,896,455	\$ 2,380,647	\$ 515,808
Accounts	2,049,141	-	2,049,141
	<hr/>	<hr/>	<hr/>
Total Current Receivables	4,945,596	2,380,647	2,564,949
Capital Reimbursements Receivable	4,874,512	-	4,874,512
	<hr/>	<hr/>	<hr/>
Total Receivables	<u>\$ 9,820,108</u>	<u>\$ 2,380,647</u>	<u>\$ 7,439,461</u>

B. Component Unit - The College's discretely presented component unit, the Central Piedmont Community College Foundation, Inc., had unconditional pledges receivable that are expected to be realized in the following periods as of June 30, 2014:

In one year or less	\$ 2,457,750
Between one and five years	4,750,319
Five to ten years	3,774,100
Ten years and thereafter	1,441,000
	<hr/>
	12,423,169
Less: Allowance for uncollectible pledges	(135,071)
Discount to net present value	(782,657)
	<hr/>
Pledges receivable, net	11,505,441
Less: Pledges receivable, current	(2,457,750)
	<hr/>
Pledges receivable, non-current	<u>\$ 9,047,691</u>

Pledges receivable are recorded at their net present value of future cash flows using a discount rate ranging from .47% to 2.81% for the year ended June 30, 2014.

**CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2014, is presented as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 15,271,471	\$ 2,014,158	\$ -	\$ 17,285,629
Construction in Progress	25,891,174	9,842,407	18,370,569	17,363,012
Total Capital Assets, Nondepreciable	41,162,645	11,856,565	18,370,569	34,648,641
Capital Assets, Depreciable:				
Buildings	293,446,827	29,639,449	-	323,086,276
Machinery and Equipment	23,944,523	1,834,463	497,007	25,281,979
Art, Literature, and Artifacts	434,000	39,728	-	473,728
General Infrastructure	22,687,094	-	-	22,687,094
Total Capital Assets, Depreciable	340,512,444	31,513,640	497,007	371,529,077
Less Accumulated Depreciation/Amortization for:				
Buildings	57,184,079	6,290,792	-	63,474,871
Machinery and Equipment	7,076,010	1,661,427	251,381	8,486,056
Art, Literature, and Artifacts	60,903	11,594	-	72,497
General Infrastructure	3,381,603	743,416	-	4,125,019
Total Accumulated Depreciation	67,702,595	8,707,229	251,381	76,158,443
Total Capital Assets, Depreciable, Net	272,809,849	22,806,411	245,626	295,370,634
Capital Assets, Net	\$ 313,972,494	\$ 34,662,976	\$ 18,616,195	\$ 330,019,275

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<u>Balance</u>
Accounts Payable	\$ 4,416,834
Accrued Payroll	961,591
Contract Retainage	<u>514,136</u>
	<u>\$ 5,892,561</u>

**CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014, is presented as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
Guaranteed Energy Savings Contract #1	\$ 3,415,556	\$ -	\$ 227,968	\$ 3,187,588	\$ 247,467
Guaranteed Energy Savings Contract #2	-	6,457,918	-	6,457,918	216,194
Capital Lease Obligation	5,820,721	-	631,989	5,188,732	498,361
Compensated absences	6,479,784	3,780,084	3,830,809	6,429,059	712,983
	<u>\$ 15,716,061</u>	<u>\$ 10,238,002</u>	<u>\$ 4,690,766</u>	<u>\$ 21,263,297</u>	<u>\$ 1,675,005</u>

The annual requirements to pay principal and interest on the note payable and capital lease obligation at June 30, 2014, are as follows:

Fiscal Year	Note Payable			Capital Lease Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 463,661	\$ 667,482	\$ 1,131,143	\$ 498,361	\$ 195,487	\$ 693,848
2016	766,962	273,633	1,040,595	492,456	177,188	669,644
2017	749,990	250,001	999,991	486,061	158,143	644,204
2018	772,185	225,531	997,716	480,079	139,824	619,903
2019	784,686	200,282	984,968	473,301	121,721	595,022
2020-2024	3,973,867	595,116	4,568,983	2,036,194	356,433	2,392,627
2025-2029	2,134,155	127,669	2,261,824	722,280	47,846	770,126
Total	<u>\$ 9,645,506</u>	<u>\$ 2,339,714</u>	<u>\$ 11,985,220</u>	<u>\$ 5,188,732</u>	<u>\$ 1,196,642</u>	<u>\$ 6,385,374</u>

B. Notes 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, 2014	Principal Outstanding June 30, 2014
Guaranteed Energy Savings Contract #1	SunTrust Equipment Financing & Leasing Corp.	4.09%	9/1/2023	\$ 3,626,784	\$ 439,196	\$ 3,187,588
Guaranteed Energy Savings Contract #2	Bank of America Public Capital Corp.	2.64%	10/15/2028	\$ 6,457,918	\$ -	\$ 6,457,918

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
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 4th 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, 2014, the deferred outflow amount was \$3,783,222.

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 - OPERATING LEASES

Operating Lease Obligations - Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2014:

Fiscal Year	Amount
2015	\$ 530,401
2016	518,981
2017	748,148
2018	748,148
2019	692,916
2020-2024	2,425,308
2025-2029	1,600,000
Total Minimum Lease Payments	\$ 7,263,902

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 \$816,531.

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	Change in Bad Debt Expense	Net Revenues
Operating Revenues:					
Student Tuition and Fees	\$ 43,067,429	\$ -	\$ 18,440,996	\$ 16,070	\$ 24,610,363
Sales and Services:					
Sales and Services of Auxiliary Enterprises					
Student Union Services	1,178,249	-	-	-	1,178,249
Parking and Security Fee	3,270,549	-	-	-	3,270,549
Bookstore and Vending Commissions	1,693,738	-	-	-	1,693,738
WTVI	2,289,656	404,400	-	-	1,885,256
Harris Conference Center	1,226,732	34,556	-	-	1,192,176
Theatre and The Arts	472,802	-	-	-	472,802
Center for Applied Research	610,164	950	-	-	609,214
Other Campus Service Centers	990,263	620,501	-	-	369,762
Other Sales and Services	131,346	-	-	-	131,346
Total Sales and Services	\$ 11,863,499	\$ 1,060,407	\$ -	\$ -	\$ 10,803,092

**CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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.

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

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 448,797
2016	446,610
2017	444,477
2018	442,398
2019	387,572
2020-2024	1,311,381
2025-2029	923,333
2030-2034	923,333
2035-2037	554,000
Total Minimum Lease Revenue	<u>\$ 5,881,901</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	\$ 55,025,630	\$ 1,521,453	\$ 2,941,368	\$ 27,428	\$ -	\$ -	\$ 59,515,879
Academic Support	11,357,802	1,129,188	614,397	-	-	-	13,101,387
Student Services	12,246,592	272,478	826,937	116,445	-	-	13,462,452
Institutional Support	18,194,330	1,414,044	3,526,026	38,667	-	-	23,173,067
Operations and Maintenance of Plant	1,625,406	3,215,970	10,758,752	-	3,858,808	-	19,458,936
Student Financial Aid	-	-	3,357	28,493,748	-	-	28,497,105
Auxiliary Enterprises	5,413,092	2,932,154	6,261,842	(28,347)	1,509	-	14,580,250
Depreciation	-	-	-	-	-	8,707,229	8,707,229
Total Operating Expenses	<u>\$ 103,862,852</u>	<u>\$ 10,485,287</u>	<u>\$ 24,932,679</u>	<u>\$ 28,647,941</u>	<u>\$ 3,860,317</u>	<u>\$ 8,707,229</u>	<u>\$ 180,496,305</u>

**CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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 June 30, 2014, these rates were set at 8.69% 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 \$81,454,158 of which \$66,472,799 was covered under the TSERS. Total employer and employee contributions for pension benefits for the year were \$5,776,486 and \$3,988,352 respectively.

Required employer contribution rates for the years ended June 30, 2013, and 2012, were 8.33% and 7.44%, respectively, while employee contributions were 6.00% each year. The College made 100% of its annual required contributions for the years ended June 30, 2014, 2013, and 2012, which were \$5,776,486, \$5,337,524, and \$4,555,018, 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

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 \$246,488 for the year ended June 30, 2014.

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 voluntary contributions by employees amounted to \$826,420 for the year ended June 30, 2014.

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 \$126,291 for the year ended June 30, 2014.

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 \$415,524 for the year ended June 30, 2014.

NOTE 12 - OTHER POST-EMPLOYMENT 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 post-employment 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.

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 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 5.40% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2013 and 2012 were 5.3% and 5.0%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2014, 2013, and 2012, which were \$3,589,531, \$3,396,024, and \$3,061,168, 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, 2014, the College made a statutory contribution of .44%

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2013, and 2012, were .44% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2014, 2013, and 2012, which were \$292,480, \$281,934 and \$318,361, respectively. The College assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

NOTE 13 - RISK MANAGEMENT

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

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$10,000,000 via contract with a private insurance company. The North Carolina Community College System Office pays the premium, based on a composite rate, directly to the private insurer.

Fire and other property losses are covered by 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

CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 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 and Dietary Manager 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.

**CENTRAL PIEDMONT COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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 \$12,678,699 as of June 30, 2014.

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 \$2,949,430 for the year ended June 30, 2014 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, 2014, the College made a payment of \$323,033 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 - SUBSEQUENT EVENTS

The College has evaluated subsequent events through August 29, 2014, which is the date the financial statements were available to be issued.

NOTE 17 - AUDIT HOURS AND COST

This audit required 311 audit hours at an approximate cost of \$41,600. 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 year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated August 29, 2014. 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
August 29, 2014