STATE OF
NORTH CAROLINA

CENTRAL PIEDMONT COMMUNITY COLLEGE

CHARLOTTE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2008

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

CENTRAL PIEDMONT COMMUNITY COLLEGE

CHARLOTTE, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2008

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina
Board of Trustees, Central Piedmont Community College

We have completed a financial statement audit of Central Piedmont Community College for the year ended June 30, 2008, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements disclosed certain deficiencies and/or instances of noncompliance that are detailed in the Audit Findings and Responses section of this report. The College's response is included following the finding.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Central Piedmont Community College
Charlotte, North Carolina

We have audited the accompanying financial statements of Central Piedmont Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2008, which collectively comprises the College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Central Piedmont Community College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Central Piedmont Community College Foundation, Inc., the College's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the component unit, are based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Central Piedmont Community College and its discretely presented component unit as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 50, *Pension Disclosures*, during the year ended June 30, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2009, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor

September 21, 2009

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, 2008, with selected comparative information for the year ended June 30, 2007. This discussion has been prepared by management and should be read in conjunction with the transmittal letter, financial statements and accompanying notes to the financial statements which follow this section. Responsibility for the completeness and fairness of this information rests with the College.

The College is a comprehensive public two year college serving approximately 70,000 community residents annually and has approximately 2,700 full and part-time employees on six campuses in the Charlotte-Mecklenburg region of North Carolina. The College offers a broad range of college-transfer, associate and technical degree programs. The College is the largest community college in North Carolina, offering over 100 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 at June 30, 2008 with total assets of $274,876,446.64 and total liabilities of $21,064,147.62. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, totaled $253,812,299.02. The net assets of the College increased by $5,489,976.09. This is primarily attributable to increased building assets from construction occurring in the current year.

Changes in net assets represent the operating and nonoperating activity of the College, resulting from revenues, expenses, gains and losses and are summarized for the years ended June 30, 2008 and 2007 as follows:

	2008	2007 (Restated)	Difference
Total Operating Revenues	$ 38,383,794.23	$ 38,083,767.61	$ 300,026.62
Total Operating Expenses	125,429,371.57	116,253,893.47	9,175,478.10
Net Nonoperating and Other Revenues	92,535,553.43	92,762,247.15	(226,693.72)
Restatement of Net Assets (Note 16)		10,388,056.67	(10,388,056.67)
Increase in Net Assets	$ 5,489,976.09	$ 24,980,177.96	$ (19,490,201.87)

The current year 7.9% increase in total operating expenses is due primarily to an increase in employment costs and scholarships awarded. The prior period adjustments detailed in Note 16 includes an $11,643,903.97 increase in capital assets depreciable due to the reassessment of estimated useful lives of these assets.

Using the Financial Statements

The College's financial report includes three financial statements:

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

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

Statement of Net Assets

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities of the College. The difference between total assets and total liabilities - net assets - is one indicator of the current financial position of the College. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarized comparison of the College's assets, liabilities and net assets at June 30, 2008 and 2007 is presented below:

	2008	2007 (Restated)	Difference
Assets			
Current Assets	$ 16,892,810.67	$ 13,203,169.34	$ 3,689,641.33
Noncurrent Assets:			
Capital Assets	247,384,996.28	244,606,792.40	2,778,203.88
Other	10,598,639.69	9,576,730.66	1,021,909.03
Total Assets	$ 274,876,446.64	$ 267,386,692.40	$ 7,489,754.24
Liabilities			
Current Liabilities	$ 4,930,329.96	$ 4,337,349.82	$ 592,980.14
Noncurrent Liabilities	16,133,817.66	14,727,019.65	1,406,798.01
Total Liabilities	21,064,147.62	19,064,369.47	1,999,778.15
Net Assets	$ 253,812,299.02	$ 248,322,322.93	$ 5,489,976.09

Current assets increased 27.9% in the current year due primarily to an increase in cash associated with a $2,300,000.00 broadband service lease agreement payment received in the current year. The advanced payment was made by the vendor in recognition of the densely populated service area and the potentially higher number of subscribers in the area. The

College management team negotiated these terms with knowledge of the value of the license. Current liabilities and noncurrent liabilities increased 13.7% and 9.6% respectively due primarily to an increase in unearned revenue associated with the before mentioned broadband service lease agreement payment received.

Net Assets

Net assets represent the residual interest in the College's assets after liabilities are deducted. The College's net assets at June 30, 2008 and 2007 are summarized below:

	2008	2007 (Restated)	Difference
Invested in Capital Assets,			
Net of Related Debt	$ 238,668,070.06	$ 235,388,863.12	$ 3,279,206.94
Restricted Expendable	10,681,635.66	10,408,701.65	272,934.01
Unrestricted	4,462,593.30	2,524,758.16	1,937,835.14
Total Net Assets	$ 253,812,299.02	$ 248,322,322.93	$ 5,489,976.09

Invested in capital assets, net of related debt represents the College's capital assets of $288,716,939.45 net of accumulated depreciation of $41,331,943.17 and related debt of $8,716,926.22. Unrestricted net assets increased by 76.8% in the current year due primarily to an increase in general fund state aid and county appropriations of $4,592,304.45 offset by increases in general and proprietary fund operating expenses such as salaries and benefits.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets present the College's results of operations. Below is a summarized comparison of the College's revenues, expenses, and changes in net assets for the years ended June 30, 2008 and 2007:

	2008	2007 (Restated)	Difference
Operating Revenues:			
Student Tuition and Fees, Net	$ 17,610,082.64	$ 19,209,578.56	$ (1,599,495.92)
Federal Grants and Contracts	14,885,213.32	13,316,762.36	1,568,450.96
Sales and Services, and Other	5,888,498.27	5,602,101.85	286,396.42
Total Operating Revenues	38,383,794.23	38,128,442.77	255,351.46
Operating Expenses	125,429,371.57	116,253,893.47	9,175,478.10
Operating Loss	(87,045,577.34)	(78,125,450.70)	(8,920,126.64)
Nonoperating and Other Revenues (Expenses:)			
State Aid	48,698,249.38	45,805,944.93	2,892,304.45
County Appropriations	25,174,542.00	23,474,542.00	1,700,000.00
Noncapital Grants and Gifts	5,267,466.96	3,876,876.47	1,390,590.49
Capital Contributions	12,709,848.07	17,124,984.18	(4,415,136.11)
Interest on Capital Asset Related Debt	(217,099.96)		(217,099.96)
Investment Income	431,358.35	423,703.07	7,655.28
Other Nonoperating Revenue (Expense)	471,188.63	(21,141.26)	492,329.89
Net Nonoperating Revenues	92,535,553.43	90,684,909.39	1,850,644.04
Increase in Net Assets	5,489,976.09	12,559,458.69	(7,069,482.60)
Net Assets, Beginning of Year	248,322,322.93	224,358,476.27	23,963,846.66
Restatement of Net Assets		11,404,387.97	(11,404,387.97)
Net Assets, End of Year	$ 253,812,299.02	$ 248,322,322.93	$ 5,489,976.09

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 (which represent $80,096,713.85 of total operating expenses), energy and technology costs.

Tuition and state appropriations are the primary sources of funding for the College's academic programs. Student Tuition and Fees, Net decreased 8.3% primarily due to an increase in scholarship discounts in the current year. The discounts increased with increase in financial aid applied to students' accounts. State aid increased 6.3% due to increases in enrollment. Capital contributions decreased 25.8% primarily due to a decrease in state capital aid related to several state funded construction projects being finalized during the current year.

A comparison of expenses by object classification is as follows:

	2008	2007	Difference
Operating Expenses:			
Salaries and Benefits	$ 80,096,713.85	$ 74,901,518.03	$ 5,195,195.82
Supplies and Materials	9,489,239.97	6,860,937.87	2,628,302.10
Services	13,844,107.43	14,563,708.61	(719,601.18)
Scholarships and Fellowships	11,744,073.11	9,609,833.07	2,134,240.04
Utilities	3,497,710.47	3,403,819.99	93,890.48
Depreciation	6,757,526.74	6,914,075.90	(156,549.16)
	$ 125,429,371.57	$ 116,253,893.47	$ 9,175,478.10

Salaries and benefits increased 6.9% primarily due to a 5% increase for all full-time faculty and staff. Supplies and materials increased 38.3% with increases in enrollment and associated increases in plant operating costs. There were also significant increases in noncapitalized minor equipment costs. Scholarships and fellowships expense increased 22.2% due to enrollment growth and with an increase of over $2,400,000 in Pell awards disbursed.

In addition to natural (object) classification, it is also informative to review operating expenses by function. A comparative summary of the College's expense of functional classification for the years ended June 30, 2008 and 2007 follows:

	2008	2007	Difference
Operating Expenses:			
Instruction	$ 47,607,217.94	$ 43,808,677.07	$ 3,798,540.87
Academic Support	6,889,485.07	7,582,432.70	(692,947.63)
Student Services	11,658,710.95	10,277,485.36	1,381,225.59
Institutional Support	19,379,451.98	16,677,639.59	2,701,812.39
Plant Operations and Maintenance	16,732,399.32	15,704,265.47	1,028,133.85
Student Financial Aid	9,937,491.61	8,526,942.66	1,410,548.95
Auxiliary Services	6,467,087.96	6,762,374.72	(295,286.76)
Depreciation	6,757,526.74	6,914,075.90	(156,549.16)
Total Expenses	$ 125,429,371.57	$ 116,253,893.47	$ 9,175,478.10

The 8.7% increase in instruction, the 16.2% increase in institutional support expenses, and the 16.5% increase in student financial aid expenses are due to the College's continued expansion related to increases in enrollment.

Capital Activities

The College continues to complete extensive building and building improvements in accordance with its Strategic Plan. Using proceeds from State and county sponsored bond issuances, the College has expended $9,128,695.72 on capital asset projects in 2008 as compared to $15,187,455.70 in 2007. Capital asset projects primarily are comprised of replacement and renovation of existing buildings and new construction of academic and administrative facilities, as well as significant investments in equipment, including information technology. Current year capital asset additions were funded primarily with current year capital aid of $12,152,249.49. Current construction in progress totals $8,325,340.68.

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/county support and the College's ability to expand and meet the needs of Mecklenburg County's citizens as declines in State and county appropriations generally result in tuition increases. While the State of North Carolina continues to enthusiastically support the Community College System, economic pressures affecting the State may also affect the State's future support of the college. Because of the uncertainty surrounding the State's economy, the College has been advised by the State to withhold from its budget allocations a minimum of 3.0% for possible reversion in fiscal year 2009. The College has adjusted its budget accordingly. The State elected not to increase tuition rates for the 2009 fiscal year.

The College will continue to execute its long-range plan to modernize and expand its campus infrastructure and facilities. Authorized cost to complete construction and other projects totaled $47,338,451 at June 30, 2008. Funding for these projects has already been approved.

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

Central Piedmont Community College
Statement of Net Assets
June 30, 2008 — *Exhibit A-1*

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 12,345,401.07
Restricted Cash and Cash Equivalents	1,471,840.09
Receivables, Net (Note 3)	2,650,074.00
Due from Community College Component Units	28,256.70
Inventories	354,404.55
Prepaid Items	42,834.26
Total Current Assets	16,892,810.67
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	2,765,361.16
Receivables	462,577.83
Restricted Due from Primary Government	7,317,836.01
Notes Receivable	52,864.69
Capital Assets - Nondepreciable (Note 4)	23,696,811.91
Capital Assets - Depreciable, Net (Note 4)	223,688,184.37
Total Noncurrent Assets	257,983,635.97
Total Assets	274,876,446.64
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 5)	2,471,636.53
Unearned Revenue	1,059,844.90
Funds Held for Others	290,492.16
Long-Term Liabilities - Current Portion (Note 6)	1,108,356.38
Total Current Liabilities	4,930,329.97
Noncurrent Liabilities:	
U.S. Government Grants Refundable	5,515.41
Unearned Revenue	2,146,666.66
Long-Term Liabilities (Note 6)	13,981,635.58
Total Noncurrent Liabilities	16,133,817.65
Total Liabilities	21,064,147.62
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	238,668,070.06
Restricted for:	
Expendable:	
Loans	65,936.09
Capital Projects	9,913,140.46
Other	702,559.11
Unrestricted	4,462,593.30
Total Net Assets	$ 253,812,299.02

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

Central Piedmont Community College
Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2008 — *Exhibit A-2*

REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net (Note 9)	$	17,610,082.64
Federal Grants and Contracts		14,885,213.32
Sales and Services, Net (Note 9)		5,741,878.30
Other Operating Revenues		146,619.97
Total Operating Revenues		38,383,794.23
EXPENSES		
Operating Expenses:		
Personal Services		80,096,713.85
Supplies and Materials		9,489,239.97
Services		13,844,107.43
Scholarships and Fellowships		11,744,073.11
Utilities		3,497,710.47
Depreciation		6,757,526.74
Total Operating Expenses		125,429,371.57
Operating Loss		(87,045,577.34)
NONOPERATING REVENUES (EXPENSES)		
State Aid		48,698,249.38
County Appropriations		25,174,542.00
Noncapital Grants		3,902,349.98
Noncapital Gifts		1,365,116.98
Investment Income		431,358.35
Interest and Fees on Debt		(217,099.96)
Other Nonoperating Revenues		471,188.63
Net Nonoperating Revenues		79,825,705.36
Loss Before Other Revenues		(7,219,871.98)
State Capital Aid		3,411,325.62
County Capital Aid		8,740,923.87
Capital Grants		6,532.35
Capital Gifts		551,066.23
Increase in Net Assets		5,489,976.09
NET ASSETS		
Net Assets, July 1, 2007 as Restated (Note 16)		248,322,322.93
Net Assets, June 30, 2008	$	253,812,299.02

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, 2008

Exhibit A-3

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Customers	$ 42,127,246.98
Payments to Employees and Fringe Benefits	(79,531,570.46)
Payments to Vendors and Suppliers	(27,694,822.74)
Payments for Scholarships and Fellowships	(11,744,073.11)
Collection of Loans to Students	562.35
Other Payments	(271,928.63)
Net Cash Used by Operating Activities	(77,114,585.61)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	48,698,249.38
County Appropriations	25,174,542.00
Noncapital Grants Received	3,906,744.42
Noncapital Gifts	1,336,860.28
Cash Provided by Noncapital Financing Activities	79,116,396.08
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Aid Received	4,231,243.22
County Capital Aid	8,740,923.87
Capital Grants Received	6,532.35
Capital Gifts Received	66,667.00
Acquisition and Construction of Capital Assets	(8,933,473.82)
Principal Paid on Capital Debt and Leases	(501,003.06)
Interest Paid on Capital Debt and Leases	(263,760.48)
Net Cash Provided by Capital and Related Financing Activities	3,347,129.08
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	431,358.35
Net Increase in Cash and Cash Equivalents	5,780,297.90
Cash and Cash Equivalents, July 1, 2007	10,802,304.42
Cash and Cash Equivalents, June 30, 2008	$ 16,582,602.32
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (87,045,577.34)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,757,526.74
Miscellaneous Nonoperating Income	530,195.02
Changes in Assets and Liabilities:	
Receivables, Net	478,124.15
Inventories	(160,355.60)
Prepaid Items	(41,244.26)
Notes Receivable, Net	562.35
Accounts Payable and Accrued Liabilities	(575,477.92)
Unearned Revenue	2,928,614.18
Funds Held for Others	(465,409.23)
Compensated Absences	478,456.30
Net Cash Used by Operating Activities	$ (77,114,585.61)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Current Assets:		
Cash and Cash Equivalents	$	12,345,401.07
Restricted Cash and Cash Equivalents		1,471,840.09
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		2,765,361.16
Total Cash and Cash Equivalents - June 30, 2008	$	16,582,602.32

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Assets Acquired through Assumption of a Liability	$	549,354.55
Assets Acquired through a Gift		484,399.23
Loss on Disposal of Asset		(59,006.36)

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, 2008 ***Exhibit B-1***

CURRENT ASSETS		
Cash and Cash Equivalents	$	262,215
Current Pledges Receivable, net		1,187,635
Other Current Assets		25,849
Total Current Assets		1,475,699
Investments		22,640,167
Noncurrent Pledges Receivable, Net		6,005,019
Property Held for Sale		211,970
PROPERTY AND EQUIPMENT		
Furniture and fixtures		44,936
Automobiles		9,049
Computer Equipment		17,322
Total Property and Equipment		71,307
Less: Accumulated Depreciation		(70,244)
Total Property and Equipment		1,063
Total Assets	$	30,333,918
CURRENT LIABILITIES		
Accounts Payable	$	21,477
Total Current Liabilities		21,477
Deferred Compensation		1,154,111
Annuities Agreement Obligations		251,884
Total Liabilities		1,427,472
NET ASSETS		
Unrestricted		1,278,739
Temporarily Restricted		8,401,653
Permanently Restricted		19,226,054
Total Net Assets		28,906,446
Total Liabilities and Net Assets	$	30,333,918

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, 2008 *Exhibit B-2*

CHANGES IN UNRESTRICTED NET ASSETS		
Support and Revenue		
Contributions and Grants	$	472,266
Contributions Other than Cash		106,450
Investment Loss		(90,057)
Other Income		48,597
Total Support and Revenue		537,256
Net Assets Released from Restrictions:		3,110,142
Total Unrestricted Support and Revenues		3,647,398
Expenses		
Program Expenses:		
Scholarships		860,395
Sponsored Programs		2,583,393
Total Program Expenses		3,443,788
Fundraising Expenses:		
Event Expenses		463,735
Other Fundraising Expenses		143,890
Total Fundraising Expenses		607,625
General and Administrative Expenses:		
Shared Services Agreement		320,000
Professional Fees and Other Expenses		91,346
Depreciation Expenses		1,236
Total General and Administrative Expenses		412,582
Total Expenses		4,463,995
Decrease in Unrestricted Net Assets		(816,597)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions and Grants		1,510,315
Contributions Other than Cash		657,048
Investment Income Loss		(1,999,257)
Other Income		2,737
Total Support and Revenue		170,843
Net Assets Released from Restrictions		(3,110,142)
Decrease in Restricted Net Assets		(2,939,299)

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	
Contributions	1,267,140
Other Income	1,487
Increase in Permanently Restricted Net Assets	1,268,627
Decrease in Net Assets	(2,487,269)
Net Assets at Beginning of Year	31,393,715
Net Assets at End of Year	$ 28,906,446

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

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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 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 component units for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the financial statements. The 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 its legal separateness.

Discretely Presented Component Unit – Central Piedmont Community College Foundation, Inc. (the Foundation), is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which 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 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, 2008. During the year ended June 30, 2008, the Foundation distributed $2,127,786.55 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Central Piedmont Community College Foundation, Inc., PO Box 35009, Charlotte, NC 28235-5009.

B. **Basis of Presentation** – The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

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

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

C. **Basis of Accounting** - The financial statements of the College have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. **Cash and Cash Equivalents** – This classification includes undeposited receipts, petty cash, cash on deposit with private bank 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. **Receivables –** Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.

F. **Inventories –** Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market.

G. **Capital Assets –** Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of $5,000 at the date of acquisition and an expected useful life of more than one year. 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 50 years for buildings, and 2 to 25 years for art, literature, artifacts and equipment.

H. **Restricted Assets –** Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted or designated for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.

I. **Noncurrent Long-Term Liabilities –** Noncurrent long-term liabilities include notes payable and compensated absences that that will not be paid within the next fiscal year.

J. **Compensated Absences –** The College's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each July 1 or for which an employee can be paid upon termination of employment. 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 between July 1 and June 30, less the leave taken between July 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on June 30 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave. When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out method.

K. **Net Assets –** The College's net assets are classified as follows:

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

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

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

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

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

Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

M. **Revenue and Expense Recognition –** The College classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) certain federal, State and local grants and contracts. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

N. **Internal Sales Activities –** Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as Campus Printing, the Harris Conference Center, the Center for Applied Research, and the Academic and Performing Arts Center. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.

O. **County Appropriations –** County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use by the College.

NOTE 2 - DEPOSITS AND INVESTMENTS

College - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling $17,575.00, and deposits in private financial institutions with a carrying value of $8,538,285.70 and a bank balance of $10,356,108.89.

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, 2008, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

The College is authorized to invest idle funds as provided by G.S. 115D-58.6. In accordance with this statute, the College and the Board of Trustees manage investments to ensure they can be converted into cash when needed.

Generally, funds belonging to the College may be invested in the form of investments pursuant to G.S. 159-30(c), as follows: a commingled investment pool established and administered by the State Treasurer pursuant to G.S. 147-69.3, obligations of or fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; prime quality commercial paper bearing specified ratings and banker's acceptances; The North Carolina Capital Management Trust, an SEC registered mutual fund; repurchase agreements; and evidences of ownership of, or fractional undivided interests in, future interest and principal payments on either direct obligations of or fully guaranteed by the United States government, which are held by a specified bank or trust company or any state in the capacity.

At June 30, 2008, the amount shown on the Statement of Net Assets as cash and cash equivalents includes $8,026,741.62 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 2.9 years as of June 30, 2008. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.ncosc.net/ and clicking on "Financial Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Component Unit - Investments of the College's component unit, the Central Piedmont Community College Foundation, Inc., are subject to and restricted by G.S. 36B "Uniform Management of Institutional Funds Act" (UMIFA) 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 and carrying value at June 30, 2008, and 2007:

	2008		2007	
	Cost	Market	Cost	Market
Money Market Funds	$ 2,007,679	$ 2,007,679	$ 953,060	$ 953,060
Mutual Funds				
Equity	11,783,266	14,827,013	9,406,020	15,321,290
Fixed Income	6,088,330	5,805,475	5,859,505	5,659,874
Real Estate			250,746	225,309
	$ 19,879,275	$ 22,640,167	$ 16,469,331	$ 22,159,533

NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
Current Receivables:			
Students	$ 1,724,636.85	$ 238,861.02	$ 1,485,775.83
Accounts	1,096,952.87		1,096,952.87
Intergovernmental	67,345.30		67,345.30
Total Current Receivables	$ 2,888,935.02	$ 238,861.02	$ 2,650,074.00

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2008, is presented as follows:

	Balance July 1, 2007 (as restated)	Increases	Decreases	Balance June 30, 2008
Capital Assets, Nondepreciable:				
Land	$ 15,371,471.23	$ 0.00	$ 0.00	$ 15,371,471.23
Construction in Progress	3,084,138.71	7,481,794.06	2,240,592.09	8,325,340.68
Total Capital Assets, Nondepreciable	18,455,609.94	7,481,794.06	2,240,592.09	23,696,811.91
Capital Assets, Depreciable:				
Buildings	231,990,941.93	2,222,392.53	58,485.00	234,154,849.46
Machinery and Equipment	14,775,368.67	1,796,143.72	978,101.27	15,593,411.12
Art, Literature, and Artifacts	325,000.00	25,000.00		350,000.00
General Infrastructure	14,611,868.17	309,998.79		14,921,866.96
Total Capital Assets, Depreciable	261,703,178.77	4,353,535.04	1,036,586.27	265,020,127.54
Less Accumulated Depreciation:				
Buildings	28,017,295.17	4,776,578.96	58,485.00	32,735,389.13
Machinery and Equipment	5,504,349.27	1,676,909.68	919,094.88	6,262,164.07
Art, Literature, and Artifacts	7,041.67	6,541.71		13,583.38
General Infrastructure	2,023,310.20	297,496.39		2,320,806.59
Total Accumulated Depreciation	35,551,996.31	6,757,526.74	977,579.88	41,331,943.17
Total Capital Assets, Depreciable, Net	226,151,182.46	(2,403,991.70)	59,006.39	223,688,184.37
Capital Assets, Net	$ 244,606,792.40	$ 5,077,802.36	$ 2,299,598.48	$ 247,384,996.28

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2008, were as follows:

	Amount
Accounts Payable	$ 1,534,087.65
Accrued Payroll	828,751.33
Contract Retainage	88,425.65
Intergovernmental Payables	20,371.90
Total Accounts Payable and Accrued Liabilities	$ 2,471,636.53

NOTE 6 - LONG-TERM LIABILITIES

A. **Changes in Long-Term Liabilities** – A summary of changes in the long-term liabilities is presented as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
Notes Payable	$ 9,217,929.28	$	$ 501,003.06	$ 8,716,926.22	$ 501,003.21
Compensated Absences	5,894,609.44	2,879,313.04	2,400,856.74	6,373,065.74	607,353.17
Total Long-Term Liabilities	$ 15,112,538.72	$ 2,879,313.04	$ 2,901,859.80	$ 15,089,991.96	$ 1,108,356.38

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 06/30/2008	Principal Outstanding 06/30/2008
Charlottetowne Parking Deck	Mecklenburg County	Variable	03/01/2027	$ 10,000,000.00	$ 1,283,073.78	$ 8,716,926.22

The Notes Payable for Charlottetowne Parking Deck represent a financial arrangement with Mecklenburg County (the County) to finance the construction of the parking deck at the corner of Charlottetowne Avenue and East 4th Street. The County issued Variable Rate Certificates of Participation (2005 and 2007A Mecklenburg County) of which a portion would fund the parking deck, up to $11,500,000.00. The College agreed to reimburse the County for its portion of the debt service payments for the certificates. As of June 30, 2008, the College had received $10,000,000.00 from the County and reimbursed $1,283,073.78, thus the balance outstanding on funds received was $8,716,926.22. The College payments are due quarterly in arrears. As of

June 30, 2008, capitalized construction cost was $10,558,686.23 which included $579,514.97 in capitalized interest. The principal and interest payments are paid from parking fees earned.

The annual requirements to pay principal and interest on the Notes Payable – Charlottetowne Parking Deck at June 30, 2008, are as follows:

	Annual Requirements Notes Payable	
Fiscal Year	Principal	Interest
2009	$ 501,003.21	$ 512,136.98
2010	501,003.21	482,076.79
2011	501,003.21	452,016.59
2012	501,003.21	421,956.41
2013	501,003.21	391,896.22
2014-2018	2,504,671.26	1,508,586.79
2019-2023	2,503,559.95	757,405.35
2024-2028	1,203,678.96	108,054.33
Total Requirements	$ 8,716,926.22	$ 4,634,129.46

NOTE 7 - LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2008:

Fiscal Year	Amount
2009	$ 8,708.88
2010	8,708.88
2011	2,902.96
Total Minimum Lease Payments	$ 20,320.72

Rental expense for all operating leases during the year was $13,500.66.

NOTE 8 - LEASE REVENUES

Future minimum lease revenues under noncancelable leases related to wireless broadband services consist of the following at June 30, 2008:

Fiscal Year	Lease Revenue Amount
2009	$ 184,666.67
2010	184,666.67
2011	184,666.67
2012	184,666.67
2013	184,666.67
2014-2018	923,333.33
2019-2023	923,333.33
2024-2028	923,333.33
2029-2033	923,333.33
2034-2037	801,666.66
Total Minimum Lease Revenues	$ 5,418,333.33

Rental revenue for all operating lease revenue during the year was $121,666.67.

NOTE 9 - REVENUES

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

	Gross Revenues	Internal Sales Eliminations	Less Scholarship Discounts	Less Allowance for Uncollectibles	Net Revenues
Operating Revenues:					
Student Tuition and Fees	$ 23,126,195.29	$ 0.00	$ 5,333,394.83	$ 182,717.82	$ 17,610,082.64
Sales and Services:					
Sales and Services of Auxiliary Enterprises:					
Dining	$ 23,960.15	$ 0.00	$ 0.00	$ 0.00	$ 23,960.15
Student Union Services	524,818.02			6,551.56	518,266.46
Bookstore	618,565.36			28,410.36	590,155.00
Parking	1,635,843.02			21,181.28	1,614,661.74
Harris Conference Center	1,615,106.22	231,006.32			1,384,099.90
Theatre and The Arts	449,587.31	30,295.69			419,291.62
Colleague Training Center	284,500.00				284,500.00
Other Campus Service Centers	540,824.79	130,841.28			409,983.51
Vending Commissions	220,385.53				220,385.53
Other	581,314.02	304,739.63			276,574.39
Total Sales and Services	$ 6,494,904.42	$ 696,882.92	$ 0.00	$ 56,143.20	$ 5,741,878.30

NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Personal Services	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 42,952,060.07	$ 1,581,364.35	$ 2,926,794.17	$ 145,562.96	$ 1,436.39	$ 0.00	$ 47,607,217.94
Academic Support	6,420,884.03	164,507.38	304,093.66				6,889,485.07
Student Services	9,336,783.30	357,825.57	279,325.64	1,684,776.44			11,658,710.95
Institutional Support	14,433,250.84	1,086,637.82	3,859,563.32				19,379,451.98
Operations and Maintenance of Plant	3,798,412.48	4,864,361.22	4,573,351.54		3,496,274.08		16,732,399.32
Student Financial Aid			23,757.90	9,913,733.71			9,937,491.61
Auxiliary Enterprises	3,155,323.13	1,434,543.63	1,877,221.20				6,467,087.96
Depreciation						6,757,526.74	6,757,526.74
Total Operating Expenses	$ 80,096,713.85	$ 9,489,239.97	$ 13,844,107.43	$ 11,744,073.11	$ 3,497,710.47	$ 6,757,526.74	$ 125,429,371.57

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 (System) is a cost sharing multiple-employer defined benefit pension plan 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, 2008, these rates were set at 3.05% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of $66,877,399.57, of which $54,481,155.39 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were $1,661,675.24 and $3,268,840.50, respectively.

Required employer contribution rates for the years ended June 30, 2007, and 2006, were 2.66% and 2.34%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2008, 2007, and 2006, which were $1,661,675.24, $1,403,872.34, and $1,100,312.71, respectively.

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

B. Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 457 Plan – The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund.* The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to $188,910.64 for the year ended June 30, 2008.

IRC Section 401(k) Plan – All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. The voluntary contributions by employees amounted to $818,915.32 for the year ended June 30, 2008.

IRC Section 403(b) and 403(b)(7) Plans – Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to $687,955.51 for the year ended June 30, 2008.

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 Chapter 135-7, Article 1, and Chapter 135, Article 3, 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 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 in the Appropriations Bill.

For the current fiscal year the College contributed 4.1% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2007, and 2006, were 3.8% and 3.8%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2008, 2007, and 2006, which were $2,233,727.37, $2,005,531.91, and $1,786,832.61, 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.ncosc.net/ and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

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

Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly. For the fiscal year ended June 30, 2008, the College made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2007, and 2006, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2008, 2007, and 2006, which were $283,302.01, $274,441.21, and $244,513.94, 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, and can include participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Tort claims of up to $1,000,000 are self-insured under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to $5,000,000 via contract with a private insurance company. The premium, based on a composite rate, is paid by the North Carolina Community College System Office directly to the private insurer.

Fire and other property losses are covered by the Public School Insurance Fund, a State-administered public entity risk pool. This fund is financed by premiums and interest and incurs a $10 million self-insured deductible per occurrence. Reinsurance is purchased by the fund to cover catastrophic events in excess of the $10 million deductible. 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 used for instructional purposes are covered by liability insurance handled by the State Department of Insurance. 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 with coverage of $5,000,000 per occurrence and a $75,000 deductible and a 10% participation in each loss above the deductible. Losses from County and Institutional fund paid employees are covered by private insurance. Public Employee Dishonesty Coverage per loss carries a deductible of $2,500 with a limit of $100,000. Forgery or alteration coverage carries a $1,000 deductible with a $100,000 limit.

In addition, the College provides professional liability insurance for instructors, and students in the Health Sciences programs with limits of liability of $1,000,000 per claim with a $1,000 deductible and a $3,000,000 aggregate limit.

Employees and retirees are provided health care coverage by the Comprehensive Major Medical Plan (Plan), a component unit of the State. The Plan is funded by employer and employee contributions and is administered by a third-party contractor.

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 of $25,000 to $50,000 is provided to eligible workers. This self-insured death benefit program 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

A. Commitments – The College has established an encumbrance system to track its outstanding commitments on construction projects and other purchases. Outstanding commitments on construction contracts were $29,642,000.32 at June 30, 2008.

B. Pending Litigation and Claims – The College is a party to litigation and claims in the ordinary course of its operations. Since it is not possible to predict the ultimate outcome of these matters, no provision for any liability has been made in the financial statements. College management is of the opinion that the liability, if any, for any of these matters will not have a material adverse effect on the financial position of the College.

NOTE 15 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2008, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

GASB Statement No. 50, *Pension Disclosures.*

GASB Statement No. 45, requires cost-sharing employers to recognize OPEB expense for their contractually required contributions to the plan generally consistent with the approach adopted in GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers, with modifications to reflect differences between pension benefits and OPEB.*

GASB Statement No. 50, aligns financial reporting requirements for pensions with those of other postemployment benefits, to conform with GASB Statement No. 45. This Statement amends GASB Statement No. 27 to require note disclosure of the employer contribution rates and percentage of the amount contributed for the current and preceding two years and to disclose how the required contribution rates are established.

NOTE 16 - NET ASSET RESTATEMENT

As of July 1, 2007, net assets as previously reported was restated as follows

	Amount
July 1, 2007 Net Assets as Previously Reported	$ 237,934,266.26
Restatements:	
Correction of Error in Estimating Useful Lives of Depreciable Assets	11,643,903.97
Correction of Error in Recording Receivables and Student Tuition and Fees	(1,016,331.30)
Correct Error in Prior Year Long Term Debt and Revenue	(239,516.00)
July 1, 2007 Net Assets as Restated	$ 248,322,322.93

STATE OF NORTH CAROLINA
Office of the State Auditor

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Central Piedmont Community College
Charlotte, North Carolina

We have audited the financial statements of Central Piedmont Community College, a component unit of the State of North Carolina, and its discretely presented component unit, as of and for the year ended June 30, 2008, which collectively comprise the College's basic financial statements and have issued our report thereon dated September 21, 2009. Our report was modified to include a reference to other auditors.

As discussed in Note 15 to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 50, *Pension Disclosures*, during the year ended June 30, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control. We consider the deficiencies described in findings 1 and 2 in the Audit Findings and Responses section of this report to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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 or other matters that are required to be reported under *Government Auditing Standards*.

The College's responses to the findings identified in our audit are described in the Audit Findings and Responses section of this report. We did not audit the College's response and, accordingly, we express no opinion on it.

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* (CONCLUDED)

This report is intended solely for the information and use of management of the College the Board of Trustees, others within the entity, the State Board of Community Colleges, the Governor, the State Controller, and the General Assembly, and is not intended to be and should not be used by anyone other than these specified parties.

Beth A. Wood, CPA
State Auditor

September 21, 2009

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AUDIT FINDINGS AND RESPONSES

Matters Related to Financial Reporting Objectives

The following findings and recommendations were identified during the current audit and discuss conditions that represent deficiencies in internal control and/or noncompliance with laws, regulations, contracts, or grants.

1. LACK OF SEGREGATION OF DUTIES

During our audit, we noted several areas where access rights to the accounting system were not properly segregated. Employees had the ability to initiate transactions and process them to completion. Specifically we noted the following segregation of duties deficiencies:

Several employees in financial management positions had access rights that would allow them to create vendors, as well as process and approve checks for disbursement. One employee in the payroll area had access that would allow for creation of a new employee and processing payroll transactions for disbursement. When employees have more access to system functions and information than is needed for their jobs, there is a greater risk of error, fraud, or disclosure of confidential information than is necessary.

Recommendation: Management should evaluate and reassign systems access rights as necessary to better segregate duties and enhance internal control.

College's Response: The College agrees with the Office of the State Auditor's finding and recommendation. To ensure proper segregation of duties the College has performed a thorough review of employee access rights. The result of the review is as follows:

a. The College's control structure minimizes the risk of error or fraud associated with improper or fictitious cash payments by limiting check stock access to two employees. In addition, the current controls also include monitoring cash expenditures via weekly and monthly budget to actual comparisons and monthly bank reconciliations. There were several employees that could initiate transactions and process them to completion. This type of access was granted to the employees during the implementation phase of Datatel and never removed. The College recognizes the risk and potential damage that could be caused by an improper segregation of access rights and has acted on the recommendation by removing access for some employees and segregating access rights for employees that could initiate, authorize and process transactions from start to finish.

b. The College's control structure minimizes the risk of improper payroll transactions by segregating the ability to create new employees from the payroll processing function. The one employee in the payroll department (mentioned above) had training duties which required access to all parts of Datatel. This employee has retired and is no longer with the College and their related access rights have been terminated.

2. DEFICIENCIES IN FINANCIAL REPORTING

The financial statements prepared by the College contained misstatements that were corrected as a result of our audit. Without these corrections, the financial statements could have been misleading to users. Misstatements noted in our audit included the following:

a. The carrying value and bank value for cash held in private banks on Note 2 in the Notes to the Financial Statements was overstated by $8,026,741.62.

b. The College omitted a note disclosure lease revenue related to the broadband lease agreement was not disclosed in the notes to the financial statements. The effect was $5,418,333.33 of future minimum lease revenue was omitted from the notes to the financial statements.

c. The current portion of compensated absences in long-term liabilities was understated by $607,353.17 and the noncurrent portion was overstated by the same amount.

d. Receivables and related revenue accounts were overstated by $941,073.39. The College erroneously included accounts previously written off and duplicated the amounts for students that owed financial aid to the College.

e. Beginning net assets were overstated $1,016,331.30 when the College incorrectly recorded receivables and tuition and fees revenue for students who registered for fall 2007 classes. As of June 30, 2007, no cash was received for these registrations, therefore, no receivable or revenue should have be recongnized. This overstated beginning net assets and understated current year tuition and fees revenue.

f. The College incorrectly recorded receivables and unearned revenue $1,134,947.67 in the prior fiscal year for fall 2007 student registrations. This caused invalid comparative amounts in management’s discussion and analysis.

g. The College improperly recorded $455,173.23 as sales and services revenue instead of other nonoperating revenue.

The errors and misclassifications noted above caused management’s discussion and analysis and the notes to the financial statements to be misstated as well.

Recommendation: The College should place greater emphasis on the year-end financial reporting process and review and modify its internal controls to ensure the accuracy and completeness of the financial statements.

College's Response: The College agrees with the Office of the State Auditor's findings and recommendation. The College has reviewed and adjusted the processes and controls surrounding financial statement preparation and will continue to monitor the effectiveness of those processes and controls. Specifically, the College's management will continue to utilize certain members of its year end committee to perform a post financial statement process review in order to facilitate discussion, develop and enhance financial statement process best practices. In addition, Management has hired an additional Certified Public Accountant to assist with financial statement preparation. The College's responses to each individual finding are below.

a. The College agrees with the finding and has adjusted the cash disclosure accordingly. The error in the cash disclosure was due to the College not having a clear understanding of the appropriate amounts to include in the notes to the financial statements. However, the appropriate amount of cash and cash equivalents as well as their restrictions were properly presented in the statement of net assets.

b. The College agrees that the future receipts resulting from the broadband lease agreement should be disclosed and has added an appropriate disclosure. However, the amount of broadband lease revenue was properly presented in the statement of revenues, expenses and changes in net assets. Prior to year end, the College also consulted with a third party accounting firm to assist with determining the proper accounting treatment for the broadband lease. Additionally, the College prepares its financial statements using a template provided by the Office of the State Controller.

c. The College agrees with the proposed reclassification and has adjusted the financial statements accordingly. The College's short term leave calculation was based on a premise discussed during the College's fiscal 2005 closing process. The College now has a better understanding of its current portion of compensated absences liability and will ensure proper presentation of the current and long term portion of the liability in future years.

d. The College agrees with the finding and has adjusted the financial statements accordingly. The misstatements of student accounts receivable and student tuition and fees revenue were due to the College not having a clear understanding of the accounting transactions occurring in "Fund 55" in the recently implemented Datatel software. The College did seek guidance in closing out this fund at year-end and thought the year-end process was properly handled. However, after analyzing the accounts for the year-end audit, the College realized that the Fund 55 was not closed properly which resulted in an overstatement in the accounts noted above. The College continues to improve its understanding of the Fund 55 transactions and will refine and monitor its Fund 55 closing procedures.

e. and f. The College agrees with the findings and has adjusted the financial statements accordingly. Historically, students registered for the Fall Term in the previous fiscal year. The College's position was that unearned revenue was created when a student registered. Thus, all Fall Term registrations occurring in the preceding fiscal year were recorded as unearned revenue. However, since tuition payments were not received and no instruction occurred, the College agrees that no unearned revenue was generated. The College has modified its control procedures to ensure that transactions related to students that have registered and not paid are not reflected in the financial statements.

g. The College agrees with the classification finding and has adjusted the financial statements accordingly. The finding relates to rental income that should have been classified as non-operating revenue. As noted above, the College has modified its control procedures to ensure that operating and nonoperating revenue are properly presented in the financial statements.

ORDERING INFORMATION

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