STATE OF
NORTH CAROLINA

PIEDMONT COMMUNITY COLLEGE

ROXBORO, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2011

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

A Component Unit of the State of North Carolina

PIEDMONT COMMUNITY COLLEGE

ROXBORO, NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2011

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 Eaves Perdue, Governor
The General Assembly of North Carolina
Board of Trustees, Piedmont Community College

We have completed a financial statement audit of Piedmont Community College for the year ended June 30, 2011, 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.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
Piedmont Community College
Roxboro, North Carolina

We have audited the accompanying financial statements of 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, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of 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 Foundation 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 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 Piedmont Community College and its discretely presented component unit as of June 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2012 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, 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

January 24, 2012

This section of Piedmont Community College's Annual Financial Report presents management's discussion and analysis of the College's financial activity during the fiscal year ended June 30, 2011, with comparative data for the year ended June 30, 2010. College management has prepared this discussion, along with the financial statements and related notes. The financial statements, notes to the financial statements, and this discussion are the responsibility of College management.

The purpose of the management discussion and analysis (MD&A) is to identify significant transactions that have financial impact and to highlight favorable and unfavorable trends. This discussion and analysis should, however, be read in conjunction with, and is qualified in its entirety by, the related financial statements and notes to the financial statements.

Using the Annual Report/Overview of Financial Statements

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement (GASB) pronouncements. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the College as a whole, with resources classified for accounting and reporting purposes into four net asset categories.

One of the most important questions asked about college finances is whether the college as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. This discussion will focus on the first two statements cited here. The Statement of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital and noncapital financing and investing activities. These statements present financial information in a form similar to that used by corporations. The College's net assets are one indicator of the college's financial health. Over time, increases or decreases in net assets is one indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities.

Statement of Net Assets

The Statement of Net Assets presents college assets, liabilities and net assets as of the end of the fiscal year. The assets and liabilities are divided into current and noncurrent portions. The differences between current and noncurrent assets and liabilities are discussed further in the notes to the financial statements. The Statement of Net Assets is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

From the data presented, readers of this statement are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, employees and other creditors. The Statement of Net Assets also provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution. Net assets are divided into three major categories: invested in capital assets; unrestricted net assets; and restricted net assets. Restricted net assets are then required to be presented as expendable or nonexpendable. The nonexpendable category does not apply to the College. These three categories of net assets are discussed further in the notes to the financial statements.

A condensed statement of net assets is reflected below:

	June 30, 2011	June 30, 2010	Increase (Decrease)
Assets:			
Current Assets	$ 1,353,436.96	$ 1,438,372.44	$ (84,935.48)
Noncurrent:			
Capital Assets, Net of Accumulated Depreciation	14,920,356.14	15,020,079.48	(99,723.34)
Other Noncurrent Assets	197,948.51	88,810.70	109,137.81
Total Assets	16,471,741.61	16,547,262.62	(75,521.01)
Liabilities:			
Current Liabilities	560,161.47	509,029.37	51,132.10
Noncurrent Liabilities	1,311,476.28	1,369,986.44	(58,510.16)
Total Liabilities	1,871,637.75	1,879,015.81	(7,378.06)
Net Assets:			
Invested in Capital Assets	14,920,356.14	15,020,079.48	(99,723.34)
Restricted—Expendable	99,006.60	287,926.04	(188,919.44)
Unrestricted	(419,258.88)	(639,758.71)	220,499.83
Total Net Assets	$ 14,600,103.86	$ 14,668,246.81	$ (68,142.95)

The total assets of the College decreased by $75,521.01 for the year (a decrease of $84,935.48 for current assets offset by an increase of $9,414.47 for noncurrent assets). This decrease in current assets was attributable to decrease in receivables of $114,006.65 which was offset by an increase in cash and cash equivalents of $19,058.37 and an increase of $10,012.60 in inventories. A decrease in intergovernmental receivables contributed to the majority of the decrease in current assets. The decrease in intergovernmental receivables was primarily due to fewer receivables for both the Pathways and WIA (Workforce in Action) grants. The Pathways grant was a three-year grant ending in 2011. The WIA grants were funded by the American Recovery and Reinvestment Act of 2009 (ARRA). Funding received through this grant in 2011 was greatly reduced from 2010. The decrease in capital assets, net of accumulated depreciation, was primarily due to a decrease in nondepreciable assets as the costs associated with the construction of the Technical Education building were reclassified from construction in progress to depreciable capital assets and depreciation was recognized. In addition, older assets were removed from the books. The increase of $109,137.81 in other noncurrent assets is due from the State for the construction of the Allied Health building.

The total liabilities of the College decreased by $7,378.06 for the year (an increase of $51,132.10 in current liabilities and a decrease of $58,510.16 in noncurrent liabilities). This decrease in current liabilities was primarily due to the increase in the current portion of the liability for compensated absences (accrued leave) as a number of long-term employees retired or left the College at the end of the year. Their leave balances were paid out after the fiscal year ended on June 30, 2011. The decrease in noncurrent liabilities (accrued annual leave) of $58,510.16 is due to an increase in the number of employees who used leave balances accumulated in prior years in addition to leave earned in the current year. There were also fewer employees at the end of 2011 than at the end of 2010.

Total net assets decreased by $68,142.95. Invested in capital assets decreased by $99,723.34, as the Technical Education building was reclassified from construction in progress to buildings and infrastructure and depreciation was recognized. Restricted, expendable net assets decreased by $188,919.44 as ongoing construction projects were completed or neared completion and grants received during the fiscal year decreased as discussed below. These decreases were offset by an increase of $220,499.83 in unrestricted net assets due to an increase in the amount of state aid received and a decrease in the liability for payroll due to a change in contracting terms for full-time faculty.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues earned by the institution, both operating and nonoperating, and the expenses incurred by the institution, operating and nonoperating, and any other revenues earned by the institution.

Generally speaking, operating revenues are earned for providing goods and services to the various constituencies of the institution. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Nonoperating revenues are revenues earned for which goods and services are not provided. State and county appropriations and noncapital grants are included as nonoperating revenues in accordance with GASB guidelines, even though these revenues are instrumental to the College's mission and operations. Capital contributions are reported separately after nonoperating revenues.

A condensed Statement of Revenues, Expenses, and Changes in Net Assets is reflected below:

	June 30, 2011	June 30, 2010 As Restated	Increase (Decrease)
Operating Revenue			
Student Tuition and Fees, Net	$ 1,208,055.39	$ 1,260,091.28	$ (52,035.89)
Sales and Services, Net	520,904.47	511,739.17	9,165.30
Other Operating Revenues	23,324.61	156,292.36	(132,967.75)
Total	1,752,284.47	1,928,122.81	(175,838.34)
Less Operating Expenses			
Salaries and Benefits	15,931,899.99	15,933,518.27	(1,618.28)
Supplies and Materials	1,719,580.33	1,749,486.11	(29,905.78)
Services	1,449,479.71	1,550,873.26	(101,393.55)
Scholarships and Fellowships	4,378,037.95	4,607,696.41	(229,658.46)
Utilities	351,230.95	375,852.64	(24,621.69)
Depreciation	614,266.10	553,409.78	60,856.32
Total	24,444,495.03	24,770,836.47	(326,341.44)
Operating Loss	(22,692,210.56)	(22,842,713.66)	150,503.10
Nonoperating Revenue			
State Aid	12,742,037.38	12,274,004.30	468,033.08
County Appropriations	1,216,429.00	1,274,284.50	(57,855.50)
Noncapital Grants-Student Financial Aid	5,572,100.16	5,562,930.77	9,169.39
Noncapital Grants and Gifts	2,092,640.42	2,643,944.54	(551,304.12)
Other Nonoperating Revenues	4,941.02	10,952.27	(6,011.25)
Net Nonoperating Revenues	21,628,147.98	21,766,116.38	(137,968.40)
			0.00
Loss Before Other Revenues	(1,064,062.58)	(1,076,597.28)	12,534.70
Capital Contributions	995,919.63	1,033,985.56	(38,065.93)
Decrease in Net Assets	(68,142.95)	(42,611.72)	(25,531.23)
Net Assets, Beginning of Year	14,668,246.81	14,710,858.53	(42,611.72)
Net Assets, End of Year	$ 14,600,103.86	$ 14,668,246.81	$ (68,142.95)

The State and local appropriations are not classified as operating revenue per GASB Statement No. 35; therefore, the College will usually show a significant operating loss.

Operating revenue decreased overall by $175,838.34. This decrease was primarily the result of a decrease in tuition and fee revenues in the amount of $52,035.89. This decrease in student tuition fee revenue was the result of a decrease in the number of students enrolled in 2010-2011 from 2009-2010. The decrease of $132,967.75 in other operating revenue is due primarily to a decrease in miscellaneous income. There were several nonrecurring miscellaneous receipts in 2009 – 2010 that were not in 2010 – 2011.

Operating expenses for fiscal year 2011 decreased $326,341.44 from fiscal year 2010. Salaries and benefits decreased $1,618.28 due to a decrease in staff. Supplies and materials decreased $29,905.78 due to a concentrated effort to reduce spending due to a reduction in funding. Services decreased $101,393.55 due to decrease in contracted services due to an effort to reduce expenditures. Scholarships and Fellowships decreased $229,658.46 due to a decrease in amount of scholarships available for students and an increase in the tuition discount applied in 2011. Of special note was the reduction of $210,000 from the North Carolina Earn (NC EARN) scholarships that were not available in 2011. Utilities decreased $24,621.69 due to a decline in energy usage. New energy efficient lights and ballasts were installed beginning in the winter of 2011. Depreciation expense increased $60,856.32 due to the reclassification of nondepreciable construction in progress to depreciable assets for the new Technical Education building and related equipment.

Nonoperating revenue decreased by $137,968.40 in fiscal year 2011 from fiscal year 2010. There were some wide swings in the components of this category.

- State aid increased by $468,033.08 due to an increase of $390,251 in the State operating allocation and an increase of $246,696 in the new equipment reserve fund. This increase was offset by a reduction of State aid from federal recovery funds (ARRA) grants. These funds were in effect for all of 2009 – 2010 and only a portion of 2010 – 2011.

- County appropriations decreased $57,855.50 due to a funding decrease from Caswell County. A special appropriation was received for roof work in 2009 - 2010.

- Noncapital grants and gifts decreased $551,304.12 primarily due to a decrease in grants received from the "Wired Grant" and "Project Skill Up" in 2011.

Capital contributions decreased slightly in the amount of $38,065.93 in fiscal year 2011 from fiscal year 2010. The primary reason for this overall decrease was a reduction in capital aid from Caswell counties.

Capital Assets

Piedmont Community College's investment in capital assets as of June 30, 2011 amounted to $14,920,356.14, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, infrastructure, and machinery and equipment. The change in capital assets for the year was a decrease of $99,723.34. The change was primarily attributable to a greater increase in accumulated depreciation than the additions to capital assets during the fiscal year.

Major capital asset events during the current fiscal year included the following:

There was a large decrease in construction in progress and a large increase in buildings due to the reclassification of the Technical Education building from construction in progress to buildings and infrastructure.

The net increase in equipment totaled $194,714.58 which resulted from acquisitions of more items valued at over $5,000 than disposals of similar items.

Capital Assets, Net

	June 30, 2011	June 30, 2010	Increase (Decrease)
Capital Assets			
Land	$ 153,654.15	$ 153,654.15	$ 0.00
Construction in Progress	213,814.65	2,300,738.39	(2,086,923.74)
Buildings	15,486,406.71	13,212,178.47	2,274,228.24
Infrastructure	2,817,411.08	2,774,969.39	42,441.69
Machinery and Equipment	3,170,502.16	2,975,787.58	194,714.58
	21,841,788.75	21,417,327.98	424,460.77
Less Accumulated Depreciation	6,921,432.61	6,397,248.50	524,184.11
Net Capital Assets	$ 14,920,356.14	$ 15,020,079.48	$ (99,723.34)

Economic and Other Facts Impacting Future Periods

The economic position of Piedmont Community College is closely tied to the State of North Carolina. State aid, including federal recovery funds, constituted 52 percent of total College revenues and is the largest source of funding. The College enrollment growth has leveled off and is beginning a slight decline due to changes in the type and number of classes the College is authorized to offer in Corrections Education and the Huskins program. The level of federal, State, and local support and assessment and reallocation of available resources continue to be the biggest challenge facing the College.

Requests for Information

This financial report is designed to provide a general overview of Piedmont Community College's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Piedmont Community College, Vice President, Administrative Services, P. O. Box 1197, 1715 College Drive, Roxboro, North Carolina 27573.

Piedmont Community College
Statement of Net Assets
June 30, 2011 — *Exhibit A-1*

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 688,147.66
Restricted Cash and Cash Equivalents	263,453.81
Receivables (Note 3)	175,284.44
Inventories	226,551.05
Total Current Assets	1,353,436.96
Noncurrent Assets:	
Restricted Due from Primary Government	197,948.51
Capital Assets - Nondepreciable (Note 4)	367,468.80
Capital Assets - Depreciable, Net (Note 4)	14,552,887.34
Total Noncurrent Assets	15,118,304.65
Total Assets	16,471,741.61
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities (Note 5)	320,718.84
Unearned Revenue	78,506.75
Funds Held for Others	41,265.13
Long-Term Liabilities - Current Portion (Note 6)	119,670.75
Total Current Liabilities	560,161.47
Noncurrent Liabilities:	
Long-Term Liabilities (Note 6)	1,311,476.28
Total Liabilities	1,871,637.75
NET ASSETS	
Invested in Capital Assets	14,920,356.14
Restricted for:	
Expendable:	
Scholarships and Fellowships	4,432.60
Loans	5,004.28
Capital Projects	52,767.32
Other	36,802.40
Unrestricted	(419,258.88)
Total Net Assets	$ 14,600,103.86

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

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

Exhibit A-2

REVENUES	
Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	$ 1,208,055.39
Sales and Services, Net (Note 8)	520,904.47
Other Operating Revenues	23,324.61
Total Operating Revenues	1,752,284.47
EXPENSES	
Operating Expenses:	
Salaries and Benefits	15,931,899.99
Supplies and Materials	1,719,580.33
Services	1,449,479.71
Scholarships and Fellowships	4,378,037.95
Utilities	351,230.95
Depreciation	614,266.10
Total Operating Expenses	24,444,495.03
Operating Loss	(22,692,210.56)
NONOPERATING REVENUES	
State Aid	12,742,037.38
County Appropriations	1,216,429.00
Noncapital Grants - Student Financial Aid	5,572,100.16
Noncapital Grants	2,005,214.69
Noncapital Gifts	87,425.73
Investment Income	4,471.02
Other Nonoperating Revenues	470.00
Total Nonoperating Revenues	21,628,147.98
Income Before Other Revenues	(1,064,062.58)
State Capital Aid	851,231.82
County Capital Aid	4,050.00
Capital Grants	140,637.81
Decrease in Net Assets	(68,142.95)
NET ASSETS	
Net Assets, July 1, 2010	14,668,246.81
Net Assets, June 30, 2011	$ 14,600,103.86

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

Piedmont Community College
Statement of Cash Flows — *Exhibit A-3*
For the Fiscal Year Ended June 30, 2011 —

CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Customers	$	1,778,581.50
Payments to Employees and Fringe Benefits		(16,115,986.07)
Payments to Vendors and Suppliers		(3,368,182.96)
Payments for Scholarships and Fellowships		(4,378,037.95)
Other Receipts		54,221.14
Net Cash Used by Operating Activities		(22,029,404.34)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Aid Received		12,742,037.38
County Appropriations		1,216,429.00
Noncapital Grants - Student Financial Aid		5,572,100.16
Noncapital Grants Received		2,082,787.85
Noncapital Gifts		87,425.73
Cash Provided by Noncapital Financing Activities		21,700,780.12
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Aid Received		742,094.01
County Capital Aid		4,050.00
Capital Grants Received		140,637.81
Acquisition and Construction of Capital Assets		(543,813.26)
Net Cash Provided by Capital and Related Financing Activities		342,968.56
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		4,714.23
Net Increase in Cash and Cash Equivalents		19,058.57
Cash and Cash Equivalents, July 1, 2010		932,542.90
Cash and Cash Equivalents, June 30, 2011	$	951,601.47

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(22,692,210.56)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		614,266.10
Miscellaneous Nonoperating Income		29,740.50
Changes in Assets and Liabilities:		
Receivables		36,190.28
Inventories		(10,012.60)
Accounts Payable and Accrued Liabilities		(6,145.56)
Unearned Revenue		(9,893.25)
Funds Held for Others		24,480.64
Compensated Absences		(15,819.89)
Net Cash Used by Operating Activities	$	(22,029,404.34)
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current Assets:		
Cash and Cash Equivalents	$	688,147.66
Restricted Cash and Cash Equivalents		263,453.81
Total Cash and Cash Equivalents - June 30, 2011	$	951,601.47
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Increase in Receivables Related to Nonoperating Income		109,137.81
Loss on Disposal of Capital Assets		(29,270.50)

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

Piedmont Community College Foundation, Inc.
Statement of Financial Position
June 30, 2011 — *Exhibit B-1*

ASSETS		
Cash and Cash Equivalents	$	95,003
Long-term investments		1,171,133
Promises to give		22,378
Total Assets	$	1,288,514
LIABILITIES		
Accounts Payable	$	4,555
Scholarships Payable		101,839
Total Liabilities		106,394
NET ASSETS		
Unrestricted		506,024
Temporarily Restricted		29,572
Permanently Restricted		646,524
Total Net Assets		1,182,120
Total Liabilitites and Net Assets	$	1,288,514

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

Piedmont Community College Foundation, Inc.
Statement of Activities
For the Fiscal Year Ended June 30, 2011 ***Exhibit B-2***

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUE AND OTHER SUPPORT				
Smart Start-Early Childhood Scholarships grant	$	$ 4,121	$	$ 4,121
Scholarship contributions		85,873	43,558	129,431
President's Club dues	29,332			29,332
Campus fund drive	5,743			5,743
Other contributions	15,008	29,919		44,927
Golf Calssic Tournament	16,836			16,836
Interest earned on cash deposits	202			202
Investment return	193,879			193,879
Sales tax refund	1,276			1,276
Other fundraisings	2,859			2,859
Net assets released from restrictions:				
Satisfaction of program restrictions	115,191	(115,191)		
Total Revenue and Other Support	380,326	4,722	43,558	428,606
EXPENSES				
Programs:				
Scholarships	81,151			81,151
Faculty and staff development	2,146			2,146
College programs	55,715			55,715
Olther Foundation expenses	8,786			8,786
Management and general	73,187			73,187
Fundraising	7,088			7,088
Total Expenses	228,073			228,073
Increase in Net Assets	152,253	4,722	43,558	200,533
Net Assets, July 1, 2010	353,771	24,850	602,966	981,587
Net Assets, June 30, 2011	$ 506,024	$ 29,572	$ 646,524	$ 1,182,120

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

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. 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 its component unit 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 discretely presented component unit's financial data are reported in separate financial statements because of its use of different GAAP reporting models and to emphasize its legal separateness.

Discretely Presented Component Unit – Piedmont Community College Foundation Inc. (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 28 directors. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is reported in separate financial statements because of the difference in its reporting model, as described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. As such, certain revenue recognition criteria and presentation features are different from the Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

During the year ended June 30, 2011, the Foundation distributed $146,590.66 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Executive Director of the Piedmont Community College Foundation, P.O. Box 1101, 1715 College Drive, Roxboro, NC 27573.

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

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

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

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

Nonexchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange includes State appropriations, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

D. **Cash and Cash Equivalents** - This classification includes 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, private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Accounts receivable are shown at book value with no provision for doubtful accounts considered necessary.

F. **Inventories** - Inventories, consisting of expendable supplies and merchandise for resale, are stated at cost using the last invoice cost method.

G. **Capital Assets** - Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The value of assets constructed includes all material direct and indirect construction costs.

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. 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 25 to 50 years for general infrastructure, 50 years for buildings, and 5 to 25 years for 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 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 compensated absences 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 January 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 December 31 plus the leave earned, less the leave taken between January 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 December 31 is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

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

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

Invested in Capital Assets - This represents the College's total investment in 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 and (2) sales and services of auxiliary enterprises. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State 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 a copy 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

A. Deposits - 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 $770.00, and deposits in private financial institutions with a carrying value of $559,536.29 and a bank balance of $700,228.35.

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, 2011, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

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

At June 30, 2011, the amount shown on the Statement of Net Assets as cash and cash equivalents includes $391,295.18 which represents the College's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.9 years as of June 30, 2011. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's Comprehensive Annual Financial Report. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

B. Investments - Investments of the College's discretely presented component unit, 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 Piedmont Community College Foundation, Inc., reports under the FASB reporting model, disclosures of the various investment risks are not required. Investments are carried at fair value on the statements of financial position. The fair value of the Foundation's investments at June 30, 2011 was $1,171,133.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2011, were as follows:

	Amount
Current Receivables:	
Students	$ 44,117.72
Accounts	26,574.73
Intergovernmental	104,273.45
Investment Earnings	318.54
Total Current Receivables	$ 175,284.44

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital Assets, Nondepreciable:				
Land	$ 153,654.15	$ 0.00	$	$ 153,654.15
Construction in Progress	2,300,738.39	229,746.19	2,316,669.93	213,814.65
Total Capital Assets, Nondepreciable	2,454,392.54	229,746.19	2,316,669.93	367,468.80
Capital Assets, Depreciable:				
Buildings	13,212,178.47	2,274,228.24		15,486,406.71
Machinery and Equipment	2,975,787.58	314,067.07	119,352.49	3,170,502.16
General Infrastructure	2,774,969.39	42,441.69		2,817,411.08
Total Capital Assets, Depreciable	18,962,935.44	2,630,737.00	119,352.49	21,474,319.95
Less Accumulated Depreciation for:				
Buildings	4,760,202.20	313,500.76		5,073,702.96
Machinery and Equipment	1,289,234.20	243,385.07	90,081.99	1,442,537.28
General Infrastructure	347,812.10	57,380.27		405,192.37
Total Accumulated Depreciation	6,397,248.50	614,266.10	90,081.99	6,921,432.61
Total Capital Assets, Depreciable, Net	12,565,686.94	2,016,470.90	29,270.50	14,552,887.34
Capital Assets, Net	$ 15,020,079.48	$ 2,246,217.09	$ 2,345,940.43	$ 14,920,356.14

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	$ 251,194.93
Accrued Payroll	69,523.91
Total Accounts Payable and Accrued Liabilities	$ 320,718.84

NOTE 6 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2011, is presented as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Current Portion
Compensated Absences	$ 1,446,966.92	$ 785,737.79	$ 801,557.68	$ 1,431,147.03	$ 119,670.75

NOTE 7 - OPERATING LEASE OBLIGATIONS

The College entered into operating leases for equipment and property. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2011:

Fiscal Year	Amount
2012	$ 24,399.10
2013	1,937.40
2014	1,937.40
Total Minimum Lease Payments	$ 28,273.90

Rental expense for all operating leases during the year was $47,718.11.

NOTE 8 - REVENUES

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

	Gross Revenues	Sales Eliminations	Scholarship Discounts	Net Revenues
Operating Revenues:				
Student Tuition and Fees	$ 2,754,816.25	$ 0.00	$ 1,546,760.86	$ 1,208,055.39
Sales and Services:				
Sales and Services of Auxiliary Enterprises:				
Bookstore	$ 1,409,831.31	$ 169,170.01	$ 915,882.73	$ 324,778.57
Other	187,126.70			187,126.70
Sales and Services of Education and Related Activities	99,657.33	90,658.13		8,999.20
Total Sales and Services	$ 1,696,615.34	$ 259,828.14	$ 915,882.73	$ 520,904.47

NOTE 9 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	$ 9,849,289.81	$ 1,202,500.33	$ 729,188.60	$ 259,304.72	$ 7,011.60	$ 0.00	$ 12,047,295.06
Public Service		14.00					14.00
Academic Support	1,892,300.28	131,002.81	49,920.39				2,073,223.48
Student Services	938,833.49	27,997.57	59,528.88	87,481.64			1,113,841.58
Institutional Support	2,343,025.66	143,085.52	436,555.53				2,922,666.71
Operations and Maintenance of Plant	565,687.35	80,694.38	106,306.66		344,219.35		1,096,907.74
Student Financial Aid				4,031,251.59			4,031,251.59
Auxiliary Enterprises	342,763.40	134,285.72	67,979.65				545,028.77
Depreciation						614,266.10	614,266.10
Total Operating Expenses	$ 15,931,899.99	$ 1,719,580.33	$ 1,449,479.71	$ 4,378,037.95	$ 351,230.95	$ 614,266.10	$ 24,444,495.03

NOTE 10 - PENSION PLANS

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

Benefit and contribution provisions for the Teachers' and State Employees' Retirement System are established by *North Carolina General Statutes* 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations. For the year ended June 30, 2011, these rates were set at 4.93% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of $12,905,319.10, of which $11,191,754.19 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were $551,753.48 and $671,505.20, respectively.

Required employer contribution rates for the years ended June 30, 2010, and 2009, were 3.57% and 3.36%, respectively, while employee contributions were 6% each year. The College made 100% of its annual required contributions for the years ended June 30, 2011, 2010, and 2009, which were $551,753.48, $394,394.80, and $371,375.00, respectively.

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

B. Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 457 Plan - The State of North Carolina offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the North Carolina Public Employee Deferred Compensation Plan (the Plan). The Plan permits each participating employee to defer a portion of his or her salary until future years. The deferred compensation is available to employees upon separation from service, death, disability, retirement, or financial hardships if approved by the Board of Trustees of the Plan. The Board, a part of the North Carolina Department of Administration, maintains a separate fund for the exclusive benefit of the participating employees and their beneficiaries, *the North Carolina Public Employee Deferred Compensation Trust Fund*. The Board also contracts with an external third party to perform certain administrative requirements and to manage the trust fund's assets. All costs of administering and funding the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to $19,283.96 for the year ended June 30, 2011.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to $53,945.00 for the year ended June 30, 2011.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

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

The Plan's benefit and contribution provisions are established by *North Carolina General Statute* 135-7 and Chapter 135, Article 3A, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan does not provide for automatic post-retirement benefit increases.

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to the Fund. Contribution rates to the Fund, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly.

For the current fiscal year the College contributed 4.9% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2010, and 2009, were 4.5% and 4.1%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2011, 2010, and 2009, which were $548,395.96, $497,136.30, and $453,165.92, respectively. The College assumes no liability for retiree health care benefits provided by the programs other than its required contribution.

Additional detailed information about these programs can be located in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page http://www.osc.nc.gov/ and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

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

Disability income benefits are funded by actuarially determined employer contributions that are established by the General Assembly. For the fiscal year ended June 30, 2011, the College made a statutory contribution of .52% of covered payroll under the Teachers' and State Employees' Retirement System to the DIPNC. Required contribution rates for the years ended June 30, 2010, and 2009, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2011, 2010, and 2009, which were $58,197.12, $57,446.86, and $57,474.70, 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 12 - RISK MANAGEMENT

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

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

Fire and other property losses are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan

(Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. The Plan has contracted with third parties to process claims.

The State Board of Community Colleges makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act which are applicable to employees whose wages are paid in whole or in part from State funds. The College purchases workers' compensation insurance for employees whose salaries or wages are paid by the Board entirely from county or institutional funds.

Term life insurance (death benefits) of $25,000 to $50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

Additional details on the State-administered risk management programs are disclosed in the State's *Comprehensive Annual Financial Report*, issued by the Office of the State Controller.

NOTE 13 - 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 $36,722.50 at June 30, 2011.

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.

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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
Piedmont Community College
Roxboro, North Carolina

We have audited the financial statements of 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, 2011, which collectively comprise the College's basic financial statements and have issued our report thereon dated January 24, 2012. Our report was modified to include a reference to 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. Other auditors audited the financial statements of Piedmont Community College Foundation Inc., 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

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)

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

Compliance and Other Matters

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

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

Beth A. Wood

Beth A. Wood, CPA
State Auditor

January 24, 2012

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