



# STATE OF NORTH CAROLINA

**PITT COMMUNITY COLLEGE**

**WINTERVILLE, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2011**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**PITT COMMUNITY COLLEGE**

**WINTERVILLE, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2011**

**STATE BOARD OF COMMUNITY COLLEGES**

**THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM**

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**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet  
<http://www.ncauditor.net>

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**AUDITOR'S TRANSMITTAL**

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

We have completed a financial statement audit of Pitt 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.

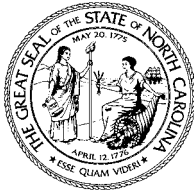
A handwritten signature in black ink that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

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**Beth A. Wood, CPA**  
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2 S. Salisbury Street  
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**INDEPENDENT AUDITOR'S REPORT**

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Board of Trustees  
Pitt Community College  
Winterville, North Carolina

We have audited the accompanying financial statements of Pitt 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 Pitt 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 this entity, 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 Pitt 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 Pitt 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.

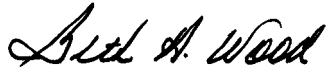
In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2012 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations,

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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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, CPA  
State Auditor

January 18, 2012

## **PITT COMMUNITY COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This section of Pitt Community College's Annual Financial Report provides an overview of the financial activities for the fiscal year ended June 30, 2011, with comparative data for the fiscal year ended June 30, 2010. Information contained herein has been prepared for the purpose of identifying significant transactions, trends and events that have impacted the fiscal health of the College and that may continue to exert influence in future years. It is recommended that this discussion and analysis be read in conjunction with the College's basic financial statements and the notes to the financial statements.

### **The Financial Statements**

This annual report consists of financial statements which are prepared in accordance with the Governmental Accounting Standards Board (GASB). They are prepared under the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recognized when an obligation has been incurred, regardless of when cash is exchanged. The financial statements presented include the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows.

The Statement of Net Assets presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the College is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the net assets changed during the fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. unearned revenue and earned but unused vacation leave).

The Statement of Cash Flows provides information regarding the College's cash receipts and cash payments during the reported period. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities. The statement reconciles the beginning cash on hand as of July 1, 2010, to the ending cash on hand as of June 30, 2011.

Management's Discussion and Analysis will concentrate on the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets, using condensed versions for the purposes of this discussion.

### **Financial Highlights**

State funds for community colleges in North Carolina are appropriated by the NC General Assembly and distributions are made to colleges by the North Carolina State Board of Community Colleges based on Full-Time Equivalencies (FTE) earned in the prior academic

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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year. For the past several years, Pitt Community College has experienced record enrollment growth. The College's total budgeted FTE (which was earned in the previous year) for 2011-2012 was 7,859. The total budget FTE for the 2010-2011 and 2009-2010 were 7,155 and 6,397 respectively.

The student enrollment growth which the College experienced in the 2009-2010 fiscal year allowed the College to receive an increase in its initial State appropriations for the 2010-2011 fiscal year of \$4,542,624 (from \$33,897,514 to \$38,440,138). The College was fortunate to receive full funding in its 2010-2011 State appropriations for enrollment growth in order to offset budget cuts (Management Flexibility Reduction) which it received in the amount of \$1,009,836.

For the first time in its history, Pitt Community College had three major buildings under construction at the same time. This funding opportunity came about due to a quarter-cent sales tax referendum which was passed in Pitt County in November 2007. The three buildings under construction were:

- Facility Services Complex with an initial approved budget of \$4,912,791. This building will house the maintenance, mailroom, shipping, receiving, and purchasing departments.
- Construction and Industrial Complex with an initial approved budget of \$8,913,695. This building will house the Automotive Technology curriculum and the Building Construction Technology curriculum.
- Academic Classroom Building (Charles E. Russell Building) with an initial approved budget of \$9,344,283. This building will be a general academic classroom building to include classrooms, offices, laboratory space, mechanic rooms, and data rooms.

The College also completed the construction of the Herman Simon Building. This facility accommodates our health science student population and is located adjacent to our current health science facility (Fulford Building).

The financial implications of these construction projects significantly influence a number of variances that are created in comparison to the previous year's data. In addition to ongoing construction, the other most notable financial impact to the College for the current fiscal year relates to the Health Information Technology Award which the College received from the U.S. Department of Health and Human Services. This award had a first-year budget of \$10,901,009. Even though the College received this award in April of the previous fiscal year, a majority of the revenues and expenses for this award did not occur until the current fiscal year. This award also had a significant impact on the variance analysis of several accounts in comparison to the previous year's data.

### **Statement of Net Assets**

The Statement of Net Assets presents the financial position of the College at June 30, 2011, defined by the balances of assets, liabilities, and assets net of liabilities. Assets are classified as current or noncurrent and cash is further identified as unrestricted or restricted. Current



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

assets include those resources available to meet current obligations and operating requirements while noncurrent assets are to be held to meet future needs. Capital assets are shown net of depreciation. Assets, net of liabilities, are grouped into three categories: investment in capital assets, restricted net assets, and unrestricted net assets. Restricted net assets are further classified as nonexpendable or expendable. Endowments and other funds comprise the nonexpendable restricted net assets and expendable restricted net assets are made up primarily of contracts, grants, and gifts.

### Condensed Statement of Net Assets

	2011	2010	Increase (Decrease)
<b>Assets</b>			
Current Assets	\$ 10,995,854.31	\$ 6,209,964.81	\$ 4,785,889.50
Capital Assets, Net of Depreciation	59,905,987.15	48,562,795.37	11,343,191.78
Other Noncurrent Assets	257,009.51	629,594.15	(372,584.64)
<b>Total Assets</b>	<b>71,158,850.97</b>	<b>55,402,354.33</b>	<b>15,756,496.64</b>
<b>Liabilities</b>			
Current Liabilities	6,112,338.13	1,592,396.88	4,519,941.25
Noncurrent Liabilities	1,292,727.56	1,585,676.04	(292,948.48)
<b>Total Liabilities</b>	<b>7,405,065.69</b>	<b>3,178,072.92</b>	<b>4,226,992.77</b>
<b>Net Assets</b>			
Investment in Capital Assets	59,905,987.15	48,562,795.37	11,343,191.78
Restricted	898,900.62	1,140,041.52	(241,140.90)
Unrestricted	2,948,897.51	2,521,444.52	427,452.99
<b>Total Net Assets</b>	<b>\$ 63,753,785.28</b>	<b>\$ 52,224,281.41</b>	<b>\$ 11,529,503.87</b>

Some of the highlights of the College's Statement of Net Assets are listed below:

- Current assets increased by \$4,785,890. The major increases to current assets include increases to receivables (\$3,628,917) and increases to cash (\$913,145). The largest receivable for the College relates to construction expenses for our capital projects. These expenses totaled \$3,062,252 and are due from Pitt County Government for the following projects: Facility Services Complex (\$325,419), Construction and Industrial Complex (\$1,950,944), Academic Classroom Building (\$769,390), and the Vernon White Renovation (\$16,500). With the increase in expenditures in the current year relating to the Health Information Technology Award, our receivable from the U.S. Department of Health and Human Services also increased by \$632,051 over the prior year. Also, the County is normally billed a month in arrears for construction expense that is funded by the quarter-cent sales tax. Due to the increase in construction expense for June 2011, the College billed and received payment from the County in late June 2011 for these expenses. This earlier receipt of payment, which did not occur in the previous year, was the main reason for the increase to the College's cash account.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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- The most significant area of increase in total assets was the increase in Capital Assets, Net of Depreciation (\$11,343,191.78). This change includes increases to Capital Assets, Nondepreciable (\$4,903,511) and Capital Assets, Depreciable (\$6,439,681).

### 1.) Capital Assets, Nondepreciable

The College continued to have significant capital project construction which resulted in a net increase to Construction in Progress (CIP) of \$4,940,947. Major increases to CIP include the following: Facility Services Complex (\$2,435,778), Construction and Industrial Complex (\$3,693,803), and Academic Classroom Building (\$3,376,478). Major decreases to CIP include projects that were completed and moved out of CIP into assets. This includes the Herman Simon Building (\$5,159,049) and the Highway 11 Fulford Parking Lot (\$226,152).

### 2.) Capital Assets, Depreciable

This category was increased by the projects that were moved out of CIP and into Capital Assets, Depreciable. The major assets that were moved out of CIP include the Herman Simon Building (\$5,159,049) and the Highway 11 Fulford Parking Lot (\$226,152). In addition to these projects, machinery, equipment, and motor vehicles also increased by \$995,439. The majority of these funds were expended for instructional equipment and upgrades to the College's network infrastructure.

- Total liabilities showed an overall increase of \$4,226,993, primarily due to the increase in total current liabilities (\$4,519,941). The largest increase in this category relates to the increase in accounts payable and accrued liabilities of \$4,135,842. This was largely due to the increase in accrued expenses relating to construction costs on the Facility Services Complex, the Construction and Industrial Complex, and the Academic Classroom Building in the amount of \$3,031,157. In addition to these expenses, there was an increase in the accounts payable expenses relating to the Health Information Technology Award in the amount of \$606,024.
- Net assets increased by \$11,529,503.87 largely as a result of the increase in Construction in Progress and the increase in Capital Assets, Depreciable as described above.

### **Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets presents the activity of the College during the year and is subdivided into four major components: operating revenues, operating expenses, nonoperating revenues, and other revenues. Revenues are reported by natural classification. Intradepartmental sales, services, and transfers are eliminated and depreciation of capital assets is recorded.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	2011	2010	Increase (Decrease)
<b>Operating Revenues</b>			
Student Tuition and Fees, Net	\$ 7,967,041.97	\$ 7,194,318.66	\$ 772,723.31
Sales and Services, Net	2,470,404.62	2,560,527.84	(90,123.22)
Other Operating Revenues	729,967.96	229,234.82	500,733.14
<b>Total Operating Revenues</b>	<u>11,167,414.55</u>	<u>9,984,081.32</u>	<u>1,183,333.23</u>
<b>Less Operating Expenses</b>	<u>68,702,651.77</u>	<u>55,724,330.83</u>	<u>12,978,320.94</u>
<b>Operating Loss</b>	<u>(57,535,237.22)</u>	<u>(45,740,249.51)</u>	<u>(11,794,987.71)</u>
<b>Nonoperating and Other Revenues</b>			
State Aid	23,318,109.96	21,516,094.24	1,802,015.72
County Appropriations	4,370,835.00	4,110,835.00	260,000.00
Noncapital Grants	27,842,237.11	17,625,065.50	10,217,171.61
Other Nonoperating Revenues	378,095.85	258,366.95	119,728.90
Capital Aid, Gifts and Grants	13,155,463.17	7,074,518.87	6,080,944.30
<b>Total Nonoperating and Other Revenues</b>	<u>69,064,741.09</u>	<u>50,584,880.56</u>	<u>18,479,860.53</u>
<b>Change in Net Assets</b>	11,529,503.87	4,844,631.05	6,684,872.82
Net Assets - Beginning of Year	<u>52,224,281.41</u>	<u>47,379,650.36</u>	<u>4,844,631.05</u>
Net Assets - End of Year	<u>\$ 63,753,785.28</u>	<u>\$ 52,224,281.41</u>	<u>\$ 11,529,503.87</u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflects an increase in the net assets and revenues at year end. Some of the highlights are as follows:

- One of the largest components of the increase in total operating revenues was the increase in other operating revenues in the amount of \$500,733. This was largely due to special awards or grants that were either new for the current year or had increases in revenue over the previous year. These increases in revenue were in the following awards or grants: Sustainable Energy Grant (\$200,799), Training for Work in Healthcare Grant (\$63,896), Duke University Curriculum Development Grant (\$56,497), and the Emergency Management System (EMS) Staffing for Rural Pitt County Grant (\$41,432).
- Total State appropriations increased by \$4,542,624, with \$1,802,016 allocated to State Aid and \$2,903,223 to State Capital Aid which is included in the Capital Aid, Gifts and Grants line in the chart above. The increase in State Aid was needed to fund additional salaries, fringe benefits and other current expenses of the college, whose enrollment continues to grow. The increase in State Capital Aid was required to fund ongoing construction and equipment purchases.
- Noncapital Grants increased by \$10,217,171.61. The largest component of this increase is due to revenue received from the Department of Health and Human Services for the Health Information Technology Award. The increase in revenue over the prior year was \$6,168,923. Another significant increase was in federal financial aid, specifically the Federal Pell Grant awards. Federal Pell awards

**MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)**

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increased by \$4,721,259 over the previous year. This was due to an increase in the number of students who received Pell over the previous year as well as an increase in the Federal Pell Award (from \$5,350 to \$5,550). Even though the overall noncapital grants increased, the College did experience a decrease in some financial aid awards from the State, most notably the North Carolina Earn Scholarship. The College did not receive this scholarship in the current fiscal year, but was awarded \$664,000 in the previous year.

- Capital Aid, Gifts and Grants increased by \$6,080,944 over the prior year due to:
  - 1) County Capital Aid increased by \$7,790,973 due to the increased revenue received for the ongoing construction projects funded from the quarter-cent sales tax referendum. Revenue increases over the previous year were as follows: the Facility Services Complex (\$2,244,402), the Construction and Industrial Complex (\$3,393,121), and the Academic Classroom Building (\$2,758,449). Due to the completion of the Herman Simon Building in July 2010, revenue from the county relating to this building decreased for the current year by \$621,499.
  - 2) The College received significant capital gifts in the previous fiscal year relating to donations for construction costs of the Herman Simon Building. These capital gifts were largely from the Smith Family Foundation, Pitt County Memorial Hospital, and Pitt Community College Foundation Inc. Due to the completion of this building in July 2010, revenue from capital gifts decreased significantly in the current year in the amount of \$2,115,353.

**Operating Expenses**

The College presents expenses by natural classification in the Statement of Revenues, Expenses, and Changes in Net Assets. Personal services accounted for 51.74% of operating expenses, followed by scholarships and fellowships at 19.01%, services at 14.85%, supplies and materials at 11.39%, utilities at 2.05%, and depreciation costs at 0.95%.

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Salaries and Benefits	\$ 35,550,171.07	\$ 31,102,996.82	\$ 4,447,174.25
Supplies and Materials	7,822,960.77	7,340,940.50	482,020.27
Services	10,205,267.22	3,934,024.95	6,271,242.27
Scholarships and Fellowships	13,063,607.10	10,813,151.49	2,250,455.61
Utilities	1,409,359.19	1,360,364.38	48,994.81
Depreciation	651,286.42	1,172,852.69	(521,566.27)
<b>Total Operating Expenses</b>	<b>\$ 68,702,651.77</b>	<b>\$ 55,724,330.83</b>	<b>\$ 12,978,320.94</b>

The increase of \$12,978,320.94 in total operating expense can be attributed largely to the \$6,271,242 increase in services. The majority of this increase relates to increased expenditures in the Health Information Technology Award in the amount of \$5,472,493. The College also had a large increase in expense in its information technology maintenance

**MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)**

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agreements (\$306,523) due to a significant upgrade in its existing network infrastructure in the current year.

The next largest increase in operating expenses was from salaries and benefits, which increased by \$4,447,174. Salaries and benefits which were paid from special funds increased by \$797,729, mostly due to increases related to the Health Information Technology Award (\$567,189) and increases in instructional salaries paid from Curriculum Self-Support (\$195,678). Increases to salaries and benefits in State funds totaled \$3,437,579. This was a result of the College adding 15 additional full-time instructional positions and 8 new full-time administrative positions. The College also increased its part-time expense by \$754,816. There were also additional expenses due to increases in the employer contribution rates for both retirement and health insurance. Increases in salaries and benefits paid from county funds increased by \$211,866.

Scholarships and fellowships increased by \$2,250,456, largely due to the increase in the Federal Pell awards less tuition discounts (\$2,546,790). The only other significant variance was a decrease in scholarships from the prior year relating to the NC Earn Scholarship (\$664,000), which was not awarded in the 2010-2011 fiscal year.

Depreciation decreased by \$521,566 as a result of a change in useful lives for some assets. This change was posted as a decrease to current year depreciation to prospectively record this change.

**Capital Assets**

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Land	\$ 6,384,444.75	\$ 6,421,880.21	\$ (37,435.46)
Construction in Progress	11,023,222.33	6,082,275.77	4,940,946.56
Buildings	43,706,029.36	38,546,980.01	5,159,049.35
Machinery and Equipment	8,731,553.95	7,365,308.02	1,366,245.93
General Infrastructure	<u>2,953,783.46</u>	<u>2,664,952.65</u>	<u>288,830.81</u>
<b>Total Capital Assets</b>	72,799,033.85	61,081,396.66	11,717,637.19
Less: Accumulated Depreciation	<u>12,893,046.70</u>	<u>12,518,601.29</u>	<u>374,445.41</u>
<b>Total Capital Assets, net</b>	<u>\$ 59,905,987.15</u>	<u>\$ 48,562,795.37</u>	<u>\$ 11,343,191.78</u>

The decrease in Land was due to the College selling 1.54 acres of property to the Greenville Utilities Commission (GUC) in order for the GUC to construct a regional pump station. This sale of property was approved by the State Board of Community Colleges in January 2011.

As described above in the Financial Highlights section, Pitt Community College has had significant expenditures relating to ongoing construction, with three major buildings being built concurrently. The most significant increases to Capital Assets were in the areas of Construction in Progress and Buildings. The overall increase to Construction in Progress (CIP) of \$4,940,947 included both additions and deductions to CIP.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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The following projects were the major increases to CIP:

Facility Services Complex	\$	2,435,778
Construction and Industrial Complex		3,693,803
Academic Classroom Building		3,376,478

The following projects were the major decreases to CIP, which also explains the increase to the Buildings category when it was moved from CIP into Assets:

Herman Simon Building	\$	5,159,049
Highway 11 Fulford Parking Lot		226,153

Outstanding commitments on construction contracts were \$9,639,638. The balances for these commitments are as follows:

Facility Services Complex	\$	1,002,058
Construction and Industrial Complex		3,712,112
Academic Classroom Building		4,575,468
Vernon White Renovation		350,000

### **Economic Outlook and Effects on Financial Position**

The student enrollment growth which the College experienced in the 2010-2011 fiscal year allowed the College to receive an increase in its initial State appropriations for the 2011-2012 fiscal year of \$1,770,065. This increase occurred despite significant budget cuts throughout all State agencies during this time of economic downturn. However, this increase was offset by the continued Management Flexibility Reduction which was increased to \$2,161,511 for the 2011-2012 fiscal year.

Unlike record student enrollment increases in previous fiscal years, the College's enrollment for the 2011 Fall Semester had only a .54% increase in curriculum student headcount compared to the 2010 fall semester. Students reported that they were unable to find class offerings available at the days and times they needed. Also, many of the high demand classes reached capacity early in the fall semester registration period.

The College is planning for a moderate increase in curriculum student enrollment for the 2012 Fall Semester. The Construction and Industrial Complex will open in the 2012 Spring Semester and the Academic Classroom Building is scheduled to open in the 2012 Fall Semester. These buildings will allow the College to offer more sections of the high demand classes and also schedule more classes during the student-preferred hours of 9 a.m. - 2 p.m., Monday - Friday.

Pitt Community College continues to proceed with construction as outlined by its Facility Master Plan as resources will allow. The next major construction project for the College is

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)**

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the renovation to the Vernon White Building, which is scheduled to begin in the 2012 Summer Semester. The College received approval of this project from the State Board of Community Colleges on March 17, 2011, with an approved initial budget of \$5,700,000. The funding for this project will also come from the quarter-cent sales tax referendum which was passed in Pitt County in November 2007.

The general economy for North Carolina and Pitt County remains sluggish and additional budget cuts are being discussed at the State level. The College is expecting little, if any, increase in State funding for the 2012-2013 fiscal year. Therefore, the College is being prudent in managing its increased budget for the current 2011-2012 year with an emphasis on expenditures for non-recurring expenses rather than recurring expenses.

In addition to the College's State, County, and Federal funding, the College continues to seek additional funding from grant opportunities. The College is in its second year of the Health Information Technology Award from the Department of Health and Human Services and expects revenue from this award to exceed the previous year's revenue. Other grants that will continue in the 2011-2012 year include the National Science Foundation Grant, Sustainable Energy Grant, and the Duke University Curriculum Development Grant.

***Pitt Community College***  
***Statement of Net Assets***  
***June 30, 2011***

***Exhibit A-1***

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 4,514,060.95
Restricted Cash and Cash Equivalents	1,007,330.01
Receivables, Net (Note 4)	4,466,486.21
Inventories	1,003,492.14
Notes Receivable, Net (Note 4)	4,485.00

Total Current Assets	10,995,854.31
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	166,553.05
Restricted Due from Primary Government	90,456.46
Capital Assets - Nondepreciable (Note 6)	17,407,667.08
Capital Assets - Depreciable, Net (Note 6)	42,498,320.07

Total Noncurrent Assets	60,162,996.66
-------------------------	---------------

Total Assets	71,158,850.97
--------------	---------------

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 7)	5,592,622.38
Due to Primary Government	44.74
Unearned Revenue	374,125.39
Long-Term Liabilities - Current Portion (Note 8)	145,545.62

Total Current Liabilities	6,112,338.13
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Noncurrent Liabilities:

Funds Held for Others	19,659.75
Long-Term Liabilities (Note 8)	1,273,067.81

Total Noncurrent Liabilities	1,292,727.56
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Total Liabilities	7,405,065.69
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**NET ASSETS**

Invested in Capital Assets	59,905,987.15
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Restricted for:

Nonexpendable:	
Scholarships and Fellowships	166,553.05
Expendable:	
Scholarships and Fellowships	69,644.94
Loans	93,422.72
Instructional Technology Programs	505,908.05
Other	63,371.86

Unrestricted	2,948,897.51
--------------	--------------

Total Net Assets	\$ 63,753,785.28
------------------	------------------

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



***Pitt 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 9)	\$ 7,967,041.97
Federal Grants and Contracts	54,212.27
Nongovernmental Grants and Contracts	419,613.56
Sales and Services, Net (Note 9)	2,470,404.62
Other Operating Revenues	256,142.13

Total Operating Revenues	11,167,414.55
--------------------------	---------------

**EXPENSES**

Operating Expenses:

Salaries and Benefits	35,550,171.07
Supplies and Materials	7,822,960.77
Services	10,205,267.22
Scholarships and Fellowships	13,063,607.10
Utilities	1,409,359.19
Depreciation	651,286.42

Total Operating Expenses	68,702,651.77
--------------------------	---------------

Operating Loss	(57,535,237.22)
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**NONOPERATING REVENUES**

State Aid	23,318,109.96
County Appropriations	4,370,835.00
Noncapital Grants - Federal Student Financial Aid	19,660,547.41
Noncapital Grants	8,181,689.70
Noncapital Gifts	298,977.26
Investment Income	32,426.09
Other Nonoperating Revenues	46,692.50

Net Nonoperating Revenues	55,909,277.92
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Loss Before Other Revenues	(1,625,959.30)
----------------------------	----------------

State Capital Aid	2,903,223.11
County Capital Aid	9,724,014.08
Capital Grants	87,950.78
Capital Gifts	440,275.20

Increase in Net Assets	11,529,503.87
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**NET ASSETS**

Net Assets, July 1, 2010	52,224,281.41
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Net Assets, June 30, 2011	\$ 63,753,785.28
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The accompanying notes to the financial statements are an integral part of this statement.

***Pitt Community College***  
***Statement of Cash Flows***  
***For the Fiscal Year Ended June 30, 2011***

***Exhibit A-3***  
***Page 1 of 2***

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 11,501,087.03
Payments to Employees and Fringe Benefits	(35,682,341.70)
Payments to Vendors and Suppliers	(19,277,058.86)
Payments for Scholarships and Fellowships	(13,063,607.10)
Other Receipts	56,846.69
	<hr/>
Net Cash Used by Operating Activities	(56,465,073.94)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	23,318,109.96
County Appropriations	4,370,835.00
Noncapital Grants - Federal Student Financial Aid	19,107,522.84
Noncapital Grants Received	8,350,258.82
Noncapital Gifts	298,977.26
William D. Ford Direct Lending Receipts	15,294,811.00
William D. Ford Direct Lending Disbursements	(15,294,811.00)
	<hr/>
Net Cash Provided by Noncapital Financing Activities	55,445,703.88

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

State Capital Aid Received	3,174,004.75
County Capital Aid	6,661,762.14
Capital Grants Received	90,370.18
Capital Gifts Received	440,275.20
Proceeds from Sale of Capital Assets	46,200.00
Acquisition and Construction of Capital Assets	(8,519,489.19)
	<hr/>
Net Cash Provided by Capital and Related Financing Activities	1,893,123.08

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	32,426.09
	<hr/>
Cash Provided by Investing Activities	32,426.09

Net Increase in Cash and Cash Equivalents	906,179.11
Cash and Cash Equivalents, July 1, 2010	4,781,764.90
	<hr/>
Cash and Cash Equivalents, June 30, 2011	\$ 5,687,944.01

***Pitt Community College  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2011***

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

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

Operating Loss	\$ (57,535,237.22)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	651,286.42
Miscellaneous Nonoperating Income	37,927.96
Changes in Assets and Liabilities:	
Receivables, Net	(13,640.30)
Inventories	(250,990.58)
Accounts Payable and Accrued Liabilities	554,429.41
Due to Primary Government	(1,081.16)
Unearned Revenue	366,312.39
Funds Held for Others	(80.88)
Compensated Absences	(273,999.98)
Net Cash Used by Operating Activities	<u>\$ (56,465,073.94)</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 4,514,060.95
Restricted Cash and Cash Equivalents	1,007,330.01
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>166,553.05</u>
Total Cash and Cash Equivalents - June 30, 2011	<u>\$ 5,687,944.01</u>

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

Assets Acquired through Assumption of a Liability	\$ 3,512,424.47
Increase in Receivables Related to Nonoperating Income	3,615,276.51

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

***Pitt Community College Foundation, Inc.***  
***Statement of Financial Position***  
***June 30, 2011***

***Exhibit B-1***

**ASSETS**

Current Assets

Cash and Cash Equivalents:

Cash with State Treasurer	\$ 2,212,499.15
Certificate of Deposit	42,929.42
Investments (Treasury Note)	75.00
Prepaid Expenses	2,769.50
	<hr/>

Total Current Assets 2,258,273.07

Other Assets

Pledges Receivable	1,081,400.00
Discount - Pledges Receivable	(69.44)
	<hr/>

Total Other Assets 1,081,330.56

Total Assets \$ 3,339,603.63

**LIABILITIES**

Accounts Payable \$ 15,339.40

**NET ASSETS**

Unrestricted	191,733.84
Temporarily Restricted	2,356,788.13
Permanently Restricted	775,742.26
	<hr/>

Total Net Assets 3,324,264.23

Total Liabilities and Net Assets \$ 3,339,603.63

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

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

***Exhibit B-2***

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>				
Support:				
Contributions - Cash	\$ 0.00	\$ 337,461.65	\$ 18,962.00	\$ 356,423.65
Contributions - In Kind		26,858.15		26,858.15
Revenue:				
Income Earned on Investments				
Interest and Investment Income	4,667.21	17,466.50	806.00	22,939.71
Net Decrease in Fair Value of Investments		(169.29)		(169.29)
Fund Raising Income	243,970.84			243,970.84
Net Assets Released from Restrictions	439,910.38	(439,910.38)		
Total Revenues, Gains and Other Support	<u>688,548.43</u>	<u>(58,293.37)</u>	<u>19,768.00</u>	<u>650,023.06</u>
<b>EXPENSES</b>				
Contributions to Pitt Community College for:				
Scholarships	201,557.65			201,557.65
Construction Projects	287,341.24			287,341.24
Equipment, Furnishings, Other	26,858.15			26,858.15
Program Services	95,407.61			95,407.61
General and Administrative	58,509.40			58,509.40
Fund Raising	90,192.91			90,192.91
Total Expenses	<u>759,866.96</u>			<u>759,866.96</u>
Change in Net Assets	(71,318.53)	(58,293.37)	19,768.00	(109,843.90)
<b>NET ASSETS</b>				
Net Assets at Beginning of Year	<u>263,052.37</u>	<u>2,415,081.50</u>	<u>755,974.26</u>	<u>3,434,108.13</u>
Net Assets at End of Year	<u>\$ 191,733.84</u>	<u>\$ 2,356,788.13</u>	<u>\$ 775,742.26</u>	<u>\$ 3,324,264.23</u>

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

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

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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. Pitt 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** - Pitt Community College Foundation, Inc. (Foundation) is a not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of 32 members. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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During the year ended June 30, 2011, the Foundation distributed \$287,341.24 to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Ricky D. Brown, Business Manager, Pitt Community College, or the Business Office of the Pitt Community College Foundation, Inc.

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

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

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

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

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

- D. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, cash on deposit with private bank accounts, 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies and merchandise for resale are valued at cost using the first-in, first-out 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 50 to 75 years for general infrastructure, 25 to 100 years for buildings, and 5 to 30 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 - Nonexpendable** - Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources, and, as a condition of the gift, the principal is to be maintained in perpetuity.

**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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 the bookstore and the 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.
- P. County Appropriations** - County appropriations are provided to the College primarily to fund its plant operation and maintenance function and to fund construction projects, motor vehicle purchases, and

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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maintenance of equipment. Unexpended county current appropriation and county capital appropriation do not revert and are available for future use as approved by the county commissioners.

### NOTE 2 - DEPOSITS AND INVESTMENTS

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 \$8,940.00, and deposits in private financial institutions with a carrying value of \$218,000.00 and a bank balance of \$1,736,985.61.

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; 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$5,461,004.01 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 "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

### **NOTE 3 - DONOR RESTRICTED ENDOWMENTS**

The College's endowment assets are pooled with State agencies and similar institutions in short-term investments with the State Treasurer's Cash and Investment Pool and are reported as restricted cash and cash equivalents - noncurrent on the accompanying financial statements. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation, realized, and unrealized, of the assets of the endowment funds. Annual payouts from the College's endowment funds are based on an adopted spending policy, which limits spending to 100% of the interest earnings unless the donor has stipulated otherwise. At June 30, 2011, net appreciation of \$1,527.00 was available to be spent, all of which was restricted to specific purposes.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2011, were as follows:

	<u>Gross Receivables</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Net Receivables</u>
<b>Current Receivables:</b>			
Students	\$ 1,321,437.91	\$ 862,679.79	\$ 458,758.12
Accounts	97,416.20		97,416.20
Intergovernmental	3,910,311.89		3,910,311.89
<b>Total Current Receivables</b>	<u><u>\$ 5,329,166.00</u></u>	<u><u>\$ 862,679.79</u></u>	<u><u>\$ 4,466,486.21</u></u>
<b>Notes Receivable - Current:</b>			
Institutional Student Loan Programs	<u><u>\$ 12,021.62</u></u>	<u><u>\$ 7,536.62</u></u>	<u><u>\$ 4,485.00</u></u>

**NOTE 5 - COMPONENT UNIT PLEDGES RECEIVABLE**

Pledges receivable are written, unconditional promises to make future contributions, and result in receivables that are recognized as gift income at the discounted present value based on the expected future collections. The Pitt Community College Foundation, Inc. received proceeds of \$183,508.34 from pledged funds during the 2010-2011 fiscal year. The present value was determined using a .01% discount rate. The discount is \$69.44, and gives a net pledges receivable balance of \$1,081,330.56. Due to the limited number of donors, and their perceived reliability, there will be no allowance for doubtful accounts. The yearly breakdown for the pledges receivable account is as follows:

	<u>Balance</u>
1 Year or Less	\$ 1,078,100.00
1 to 5 Years	<u>3,300.00</u>
	1,081,400.00
Less Discount	<u>69.44</u>
Pledges Receivable, Net	<u><u>\$ 1,081,330.56</u></u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 6 - CAPITAL ASSETS

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

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital Assets, Nondepreciable:				
Land and Permanent Easements	\$ 6,421,880.21	\$ 0.00	\$ 37,435.46	\$ 6,384,444.75
Construction in Progress	6,082,275.77	10,392,485.44	5,451,538.88	11,023,222.33
<b>Total Capital Assets, Nondepreciable</b>	<b>12,504,155.98</b>	<b>10,392,485.44</b>	<b>5,488,974.34</b>	<b>17,407,667.08</b>
Capital Assets, Depreciable:				
Buildings	38,546,980.01	5,159,049.35		43,706,029.36
Machinery and Equipment	7,365,308.02	1,643,086.94	276,841.01	8,731,553.95
General Infrastructure	2,664,952.65	288,830.81		2,953,783.46
<b>Total Capital Assets, Depreciable</b>	<b>48,577,240.68</b>	<b>7,090,967.10</b>	<b>276,841.01</b>	<b>55,391,366.77</b>
Less Accumulated Depreciation for:				
Buildings	9,371,806.16	297,513.88		9,669,320.04
Machinery and Equipment	2,632,816.77	306,478.56	276,841.01	2,662,454.32
General Infrastructure	513,978.36	47,293.98		561,272.34
<b>Total Accumulated Depreciation</b>	<b>12,518,601.29</b>	<b>651,286.42</b>	<b>276,841.01</b>	<b>12,893,046.70</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>36,058,639.39</b>	<b>6,439,680.68</b>		<b>42,498,320.07</b>
<b>Capital Assets, Net</b>	<b>\$ 48,562,795.37</b>	<b>\$ 16,832,166.12</b>	<b>\$ 5,488,974.34</b>	<b>\$ 59,905,987.15</b>

### NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	Amount
Accounts Payable	\$ 4,139,424.27
Accrued Payroll	1,034,211.66
Contract Retainage	352,417.33
Intergovernmental Payables	66,569.12
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 5,592,622.38</b>

### NOTE 8 - 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	\$ 1,692,613.41	\$ 788,852.30	\$ 1,062,852.28	\$ 1,418,613.43	\$ 145,545.62

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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
<b>Operating Revenues:</b>					
<b>Student Tuition and Fees</b>	\$ 13,541,030.46	\$ 0.00	\$ 5,358,061.58	\$ 215,926.91	\$ 7,967,041.97
<b>Sales and Services:</b>					
Sales and Services of Auxiliary Enterprises:					
Copy Center	\$ 272,136.90	\$ 229,523.51	\$ 0.00	\$ 0.00	\$ 42,613.39
Bookstore	4,778,867.93	39,144.40	2,768,125.88	77,319.11	1,894,278.54
Athletics	33,435.25				33,435.25
Preschool	400,896.24				400,896.24
Other	15,340.98				15,340.98
Sales and Services of Education and Related Activities	83,840.22				83,840.22
<b>Total Sales and Services</b>	\$ 5,584,517.52	\$ 268,667.91	\$ 2,768,125.88	\$ 77,319.11	\$ 2,470,404.62

### NOTE 10 - OPERATING EXPENSES BY FUNCTION

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 22,933,171.17	\$ 2,910,184.50	\$ 6,895,850.26	\$ 77,063.10	\$ 10,262.36	\$ 0.00	\$ 32,826,531.39
Academic Support	4,061,171.87	335,414.42	624,860.14				5,021,446.43
Student Services	2,785,236.96	191,379.39	209,915.54	49,529.54			3,236,061.43
Institutional Support	3,759,109.65	272,206.54	1,054,584.65	659.00	7,630.48		5,094,190.32
Operations and Maintenance of Plant	1,148,460.13	241,742.82	1,048,036.86		1,391,466.35		3,829,706.16
Student Financial Aid	211,697.66		48,839.31	12,838,470.27			13,099,007.24
Auxiliary Enterprises	651,323.63	3,872,033.10	323,180.46	97,885.19			4,944,422.38
Depreciation						651,286.42	651,286.42
<b>Total Operating Expenses</b>	\$ 35,550,171.07	\$ 7,822,960.77	\$ 10,205,267.22	\$ 13,063,607.10	\$ 1,409,359.19	\$ 651,286.42	\$ 68,702,651.77

### NOTE 11 - PENSION PLANS

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$29,219,101.10, of which \$23,380,890.97 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$1,152,677.92 and \$1,402,853.46, 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 \$1,152,677.92, \$738,369.57, and \$676,799.28, 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 "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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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College. The voluntary contributions by employees amounted to \$108,077.00 for the year ended June 30, 2011.

IRC Section 401(k) Plan - All members of the Teachers' and State Employees' Retirement System are eligible to enroll in the Supplemental Retirement Income Plan, a defined contribution plan, created under Internal Revenue Code Section 401(k). All costs of administering the Plan are the responsibility of the Plan participants. No costs are incurred by the College except for a 5% employer contribution for the College's law enforcement officers, which is mandated under General Statute 143-166.30(e). Total employer contributions on behalf of College law enforcement officers for the year ended June 30, 2011, were \$14,393.13. The voluntary contributions by employees amounted to \$289,446.00 for the year ended June 30, 2011.

### NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

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

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

By General Statute, a Retiree Health Benefit Fund (the Fund) has been established as a fund in which accumulated contributions from employers and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and applicable beneficiaries. By statute, the Fund is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System and contributions to the fund are irrevocable. Also by law, Fund assets are dedicated to providing benefits to retired and disabled employees and applicable beneficiaries and are not 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 \$1,145,663.66, \$930,717.95, and \$825,856.26, 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 "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 \$121,580.63, \$107,549.63, and \$104,742.75, 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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methods, including participation in State-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

Fire and other property losses are covered by the Public School Insurance Fund, a State-administered public entity risk pool. This fund is financed by premiums and interest and retains the risk for the \$10 million deductible per occurrence. Reinsurance is purchased by the fund to cover catastrophic events in excess of the \$10 million deductible. 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. Employee dishonesty and computer fraud losses from employees paid from county and institutional funds are covered by contracts with private insurance companies.

The College purchased malpractice insurance for students in medical related fields. Coverage is provided at \$2,000,000 per occurrence with a limit of \$5,000,000.

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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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.

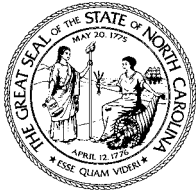
Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was .16% for the current fiscal year.

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 14 - 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 \$9,639,638.26 and on other purchases were \$191,084.68 at June 30, 2011.

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**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet  
<http://www.ncauditor.net>

**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**

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Board of Trustees  
Pitt Community College  
Winterville, North Carolina

We have audited the financial statements of Pitt 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 18, 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 Pitt 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)**

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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 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, CPA  
State Auditor

January 18, 2012



## **ORDERING INFORMATION**

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Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://www.ncauditor.net). Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

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State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

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