



# FINANCIAL STATEMENT REPORT

FOR THE YEAR ENDED JUNE 30, 2010



CENTRAL PIEDMONT COMMUNITY COLLEGE

# TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	2
FINANCIAL STATEMENTS	
COLLEGE EXHIBITS	
A-1 STATEMENT OF NET ASSETS .....	8
A-2 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	10
A-3 STATEMENT OF CASH FLOWS.....	11
COMPONENT UNIT EXHIBITS	
B-1 STATEMENT OF FINANCIAL POSITION.....	13
B-2 STATEMENT OF ACTIVITIES.....	14
NOTES TO THE FINANCIAL STATEMENTS.....	15
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	35



## *Independent Auditors' Report*

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

We have audited the accompanying financial statements of the business-type activity and the discretely presented component unit of Central Piedmont Community College (the "College"), a component unit of the State of North Carolina, as of and for the year ended June 30, 2010 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the Central Piedmont Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity and the discretely presented component unit of the College as of June 30, 2010, and the respective changes in financial position and cash flows 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 February 10, 2011, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 accordingly, express no opinion on it.

*Cherry Bekaert + Holland, C.C.P.A.*

Charlotte, North Carolina  
February 10, 2011

# CENTRAL PIEDMONT COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### Introduction

The following discussion and analysis provides an overview of the financial position and activities of Central Piedmont Community College (the "College") for the year ended June 30, 2010, with selected comparative information for the year ended June 30, 2009. This discussion has been prepared by management and should be read in conjunction with the transmittal letter, financial statements and accompanying notes to the financial statements which follow this section. Responsibility for the completeness and fairness of this information rests with the College.

The College is a comprehensive public two year college serving approximately 70,000 community residents annually and has approximately 2,700 full and part-time employees on six campuses in the Charlotte-Mecklenburg region of North Carolina. The College offers a broad range of college-transfer, associate and technical degree programs. The College is the largest community college in North Carolina, offering over 285 degree, diploma and certification programs, customized corporate training, market-focused continuing education, and special interest classes. The College consistently ranks among the leaders of community colleges nationally in terms of quality of academic offerings and workforce development.

### Financial Highlights

The College's financial position remained strong as of June 30, 2010 with total assets of \$309,973,018.99 and total liabilities of \$22,679,699.35. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, totaled \$287,293,319.64. The net assets of the College increased by \$17,354,982.29, due primarily to increased building assets from construction projects that occurred during the year.

Changes in net assets represent the operating and non operating activity of the College, resulting from revenues, expenses, gains and losses and are summarized for the years ended June 30, 2010 and 2009 as follows:

	2010	2009	Difference
Operating revenues	\$ 23,194,158.55	\$ 25,904,071.17	\$ (2,709,912.62)
Operating expenses	(145,407,041.53)	(133,292,933.16)	(12,114,108.37)
Net non operating revenues	139,567,865.27	123,246,523.50	16,321,341.77
Increase in net assets	<u>\$ 17,354,982.29</u>	<u>\$ 15,857,661.51</u>	<u>\$ 1,497,320.78</u>

The 9.09% increase in operating expenses is due to an increase in Federal Financial Aid provided to students. The 13.24% increase in net non-operating revenues is due to an increase in Federal Financial Aid received.

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

---

**Using the Financial Statements**

The College's financial report includes three financial statements:

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

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

**Statement of Net Assets**

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities of the College. The difference between total assets and total liabilities, net assets, is one indicator of the current financial position of the College. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarized comparison of the College's assets, liabilities and net assets at June 30, 2010 and 2009 is presented below:

<b>Assets</b>	2010	2009	Difference
Current assets	\$ 22,478,786.93	\$ 22,671,085.90	\$ (192,298.97)
Noncurrent assets:			
Capital assets	285,682,701.41	269,096,077.02	16,586,624.39
Other	1,811,530.65	1,451,629.09	359,901.56
<b>Total assets</b>	<b>309,973,018.99</b>	<b>293,218,792.01</b>	<b>16,754,226.98</b>
<b>Liabilities</b>			
Current liabilities	8,602,846.24	7,638,078.95	964,767.29
Noncurrent liabilities	14,076,853.11	15,642,375.71	(1,565,522.60)
<b>Total liabilities</b>	<b>22,679,699.35</b>	<b>23,280,454.66</b>	<b>(600,755.31)</b>
<b>Net assets</b>	<b>\$ 287,293,319.64</b>	<b>\$ 269,938,337.35</b>	<b>\$ 17,354,982.29</b>

Capital assets of the College increased by 6.16% due to increased building assets from construction projects that continued from the prior year. Noncurrent liabilities decreased 10.01% due primarily to the College realizing deferred revenue from its broad band lease with a third party and routine payments on the College's construction debt to the County.

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

---

**Net Assets**

Net assets represent the residual interest in the College's assets after liabilities are deducted. The College's net assets at June 30, 2010 and 2009 are summarized below:

	2010	2009	Difference
Invested in capital assets, net of related debt	\$ 278,714,178.41	\$ 260,880,154.01	\$ 17,834,024.40
Restricted expendable	2,391,586.52	2,806,218.82	(414,632.30)
Unrestricted	6,187,554.71	6,251,964.52	(64,409.81)
<b>Total net assets</b>	<b>\$ 287,293,319.64</b>	<b>\$ 269,938,337.35</b>	<b>\$ 17,354,982.29</b>

Invested in capital assets, net of related debt, represents the College's capital assets of \$285,682,701.41 and related debt of \$6,968,523.00.

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

The Statement of Revenues, Expenses and Changes in Net Assets presents the College's results of operations. Below is a summarized comparison of the College's revenues, expenses, and changes in net assets for the years ended June 30, 2010 and 2009:

	2010	2009	Difference
<b>Operating Revenues:</b>			
Student tuition and fees, net	\$ 17,063,072.11	\$ 18,160,836.51	\$ (1,097,764.40)
Sales and services, and other	6,131,086.44	7,743,234.66	(1,612,148.22)
Total operating revenues	23,194,158.55	25,904,071.17	(2,709,912.62)
<b>Operating expenses</b>	145,407,041.53	133,292,933.16	12,114,108.37
Operating loss	(122,212,882.98)	(107,388,861.99)	(14,824,020.99)
<b>Non operating and other revenues (expenses)</b>			
State aid	52,033,581.59	52,044,946.61	(11,365.02)
County appropriations	24,003,028.00	26,327,542.00	(2,324,514.00)
Noncapital grants and gifts	39,170,267.64	24,697,600.33	14,472,667.31
Capital contributions	23,535,164.67	19,338,041.87	4,197,122.80
Interest on capital asset related debt	(290,929.58)	(280,586.55)	(10,343.03)
Net investment income	259,294.63	364,368.63	(105,074.00)
Other non operating revenue	857,458.32	754,610.61	102,847.71
Net non operating revenues	139,567,865.27	123,246,523.50	16,321,341.77
Increase in net assets	17,354,982.29	15,857,661.51	1,497,320.78
<b>Net assets, beginning of year</b>	<b>269,938,337.35</b>	<b>254,080,675.84</b>	<b>15,857,661.51</b>
<b>Net assets, end of year</b>	<b>\$ 287,293,319.64</b>	<b>\$ 269,938,337.35</b>	<b>\$ 17,354,982.29</b>

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

---

One of the College's strengths is its alternative sources of revenues. Gifts and appropriations from Federal, County and State sources supplement student tuition and fees. The College will continue to aggressively seek alternative funding from those sources. This is consistent with its mission to provide affordable student tuition and to prudently manage financial resources for current and strategic operations.

While tuition and State appropriations fund a large percentage of College costs, private support has been, and will continue to be essential.

The College continues to make revenue diversification, along with cost containment, an ongoing effort. This is necessary as the College continues to face financial pressures, particularly in the areas of compensation and benefits (which represent \$88,191,379.95 of total operating expenses), energy and technology costs.

Tuition and State appropriations are the primary sources of funding for the College's academic programs. County appropriations decreased 8.83% due to financial pressures that caused the County to decrease funding to the College. Non capital grants and gifts increased 49.62% primarily due to an increase in Federal Financial Aid. Capital contributions increased 21.70% primarily due to an increase in County capital aid related to two significant construction projects that were in progress during the fiscal year.

A comparison of expenses by object classification is as follows:

Operating expenses:	2010	2009	Difference
Salaries and benefits	\$ 88,191,379.95	\$ 86,316,734.02	\$ 1,874,645.93
Supplies and materials	8,758,712.66	8,082,524.81	676,187.85
Services	14,287,156.41	13,186,978.55	1,100,177.86
Scholarships and fellowships	23,868,455.23	16,155,249.63	7,713,205.60
Utilities	3,705,166.92	3,464,686.91	240,480.01
Depreciation	6,596,170.36	6,086,759.24	509,411.12
Total operating expenses	\$ 145,407,041.53	\$ 133,292,933.16	\$ 12,114,108.37

Scholarships and fellowships expense increased 47.74% due primarily to an increase in Federal Financial Aid.

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

---

In addition to natural (object) classification, it is also informative to review operating expenses by function. A comparative summary of the College's expense of functional classification for the years ended June 30, 2010 and 2009 follows:

Operating expenses:	2010	2009	Difference
Instruction	\$ 57,763,784.29	\$ 51,376,900.73	\$ 6,386,883.56
Academic support	4,487,897.24	6,376,096.69	(1,888,199.45)
Student services	10,027,251.63	11,428,758.56	(1,401,506.93)
Institutional support	19,326,046.83	19,247,041.43	79,005.40
Plant oper. & maint.	18,069,592.53	17,405,040.32	664,552.21
Student financial aid	22,385,772.86	14,826,295.85	7,559,477.01
Auxiliary services	6,750,525.79	6,546,040.34	204,485.45
Depreciation	6,596,170.36	6,086,759.24	509,411.12
Total operating expenses	<u>\$ 145,407,041.53</u>	<u>\$ 133,292,933.16</u>	<u>\$ 12,114,108.37</u>

Instructional expenses increased 12.43% due to a restructuring of staff resources to meet the demand of enrolled students. The restructuring also caused a decrease in academic support and student services of 29.61% and 12.26% respectively. Student financial aid expense increased 50.99% due primarily to the aforementioned increase in Federal Financial Aid.

**Capital Activities**

The College continues to complete extensive building and building improvements in accordance with its Strategic Plan. Using proceeds from State and County sponsored bond issuances, the College has expended \$22,279,001.69 on capital asset projects in 2010 as compared to \$27,661,179.26 in 2009. Capital asset projects primarily are comprised of replacement and renovation of existing buildings and new construction of academic and administrative facilities. Current year capital asset additions were funded primarily with current year capital appropriations of \$22,536,178.15. Current construction in progress totals \$10,153,981.73.

**Economic Factors that will Affect the Future**

Looking into the future, management believes the College is well positioned to continue its strong financial condition and level of excellence to the community. A critical element to the College's future will continue to be our relationship with the State of North Carolina, as we work together to manage tuition costs while simultaneously providing a quality college education. There is a direct relationship between the growth of State and County support and the College's ability to expand and meet the needs of Mecklenburg County's citizens as declines in State and County appropriations generally result in tuition increases. While the State of North Carolina continues to enthusiastically support the Community College System, economic pressures affecting the State may also affect the State's future support of the college.



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

---

Because of the uncertainty surrounding the State's economy, the College has been advised by the State to withhold 2.58% from its budget allocations for reversion in fiscal year 2011 along with a 2.09% potential reversion. Additionally, the County has implemented a 2.42% budget decrease for the College in 2011 after an 8.83% decrease in 2010. The College has adjusted its respective budgets accordingly.

Effective July 1, 2010, the Governor signed into law Senate Bill 311 (the Bill). Section 9(a) of the Bill increases the in-state tuition rate for community college students to \$56.50 per credit hour from \$50.00 per credit hour and the out-of-state tuition rate to \$248.50 per credit hour from \$241.30 per credit hour. Section 9(b) of the Bill also established a revised continuing education fee schedule as follows: 1-24 hours \$65.00; 25-50 hours \$120.00; and 51+ hours \$175.00.

The College will continue to execute its long-range plan to modernize and expand its campus infrastructure and facilities. Authorized cost to complete construction and other projects totaled \$56,240,165.00 at June 30, 2010. Funding for these projects has already been approved. Although project funding was voter approved through a local bond referendum, the County has not released the funds due to the County's decision not to increase its debt liability as of June 30, 2010. The College has been advised to halt all future bond funded construction projects until further notice from the County.

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

**Central Piedmont Community College**  
**Statement of Net Assets**  
**June 30, 2010**

**Exhibit A-1**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 15,146,187.31
Restricted Cash and Cash Equivalents	3,281,711.46
Receivables, Net (Note 3)	3,149,513.69
Due from Community College Component Units	90,964.74
Inventories	556,419.73
Prepaid Items	253,990.00

Total Current Assets	22,478,786.93
----------------------	---------------

Noncurrent Assets:

Restricted Cash and Cash Equivalents	1,046,990.76
Receivables, Net (Note 3)	463,645.99
Restricted Due from Primary Government	65,077.55
Prepaid rent	229,166.67
Notes Receivable	6,649.68
Capital Assets - Nondepreciable (Note 4)	25,425,452.96
Capital Assets - Depreciable, Net (Note 4)	260,257,248.45

Total Noncurrent Assets	287,494,232.06
-------------------------	----------------

Total Assets	309,973,018.99
--------------	----------------

**LIABILITIES**

Current Liabilities:

Accounts Payable and Accrued Liabilities (Note 5)	3,521,969.35
Unearned Revenue	1,521,486.24
Funds Held for Others	2,291,706.39
Long-Term Liabilities - Current Portion (Note 6)	1,267,684.26

Total Current Liabilities	8,602,846.24
---------------------------	--------------

Noncurrent Liabilities:

Unearned Revenue	1,993,333.32
Long-Term Liabilities (Note 6)	12,083,519.79

Total Noncurrent Liabilities	14,076,853.11
------------------------------	---------------

Total Liabilities	\$ 22,679,699.35
-------------------	------------------

**Central Piedmont Community College**  
**Statement of Net Assets**  
**June 30, 2010**

**Exhibit A-1**  
**Page 2**

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	\$ 278,714,178.41
Restricted for:	
Expendable:	
Loans	25,402.94
Capital Projects	1,395,649.79
Other	970,533.79
Unrestricted	<u>6,187,554.71</u>
Total Net Assets	<u>\$ 287,293,319.64</u>

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

**Central Piedmont Community College**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2010**

**Exhibit A-2**

**REVENUES**

Operating Revenues:	
Student Tuition and Fees, Net (Note 8)	\$ 17,063,072.11
Sales and Services, Net (Note 8)	5,948,951.75
Other Operating Revenues	182,134.69
	<hr/>
Total Operating Revenues	23,194,158.55
	<hr/>

**EXPENSES**

Operating Expenses:	
Salaries and Benefits	88,191,379.95
Supplies and Materials	8,758,712.66
Services	14,287,156.41
Scholarships and Fellowships	23,868,455.23
Utilities	3,705,166.92
Depreciation / Amortization	6,596,170.36
	<hr/>
Total Operating Expenses	145,407,041.53
	<hr/>
Operating Loss	(122,212,882.98)
	<hr/>

**NON-OPERATING REVENUES (EXPENSES)**

State Aid	52,033,581.59
County Appropriations	24,003,028.00
Noncapital Grants - Federal Student Financial Aid	30,050,063.26
Noncapital Grants	7,314,110.31
Noncapital Gifts, Net	1,806,094.07
Investment Income, Net	259,294.63
Interest and Fees on Debt	(290,929.58)
Other Non-operating Revenues, Net of Expenses	857,458.32
	<hr/>
Net Non-operating Revenues	116,032,700.60
	<hr/>
Loss Before Other Revenues, Expenses, Gains, and Losses	(6,180,182.38)
	<hr/>
State Capital Aid	3,499,156.78
County Capital Aid	19,037,021.37
Capital Gifts, Net	998,986.52
	<hr/>
Increase in Net Assets	17,354,982.29

**NET ASSETS**

Net Assets, July 1, 2009	<hr/> 269,938,337.35
Net Assets, June 30, 2010	<hr/> <hr/> \$ 287,293,319.64

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

**Central Piedmont Community College**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2010**

**Exhibit A-3**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 24,445,569.37
Payments to Employees and Fringe Benefits	(88,272,533.82)
Payments to Vendors and Suppliers	(27,327,080.09)
Payments for Scholarships and Fellowships	(24,215,026.34)
Other Receipts (Payments)	2,126,644.99

Net Cash Used by Operating Activities	(113,242,425.89)
---------------------------------------	------------------

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid Received	52,033,581.59
County Appropriations	24,003,028.00
Noncapital Grants - Federal Student Financial Aid	30,050,063.26
Noncapital Grants Received	7,313,493.18
Noncapital Gifts and Endowments Received	1,763,716.91

Net Cash Provided by Noncapital Financing Activities	115,163,882.94
--	----------------

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

State Capital Aid Received	3,666,653.70
County Capital Aid	19,037,021.37
Capital Gifts Received	998,986.52
Acquisition and Construction of Capital Assets	(24,607,456.07)
Principal Paid on Capital Debt and Leases	(1,247,400.00)
Interest Paid on Capital Debt and Leases	(292,818.30)

Net Cash Used by Capital and Related Financing Activities	(2,445,012.78)
---	----------------

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net Cash Provided by Investing Activities	259,294.63
---	------------

Net Decrease in Cash and Cash Equivalents	(264,261.10)
Cash and Cash Equivalents, July 1, 2009	19,739,150.63

Cash and Cash Equivalents, June 30, 2010	\$ 19,474,889.53
--	------------------

**Central Piedmont Community College**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2010**

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

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

Operating Loss	\$ (122,212,882.98)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/ Amortization Expense	6,596,170.36
Provision for Uncollectible Loans and Write-Offs	40,699.60
Miscellaneous Non-operating Income	952,651.78
Changes in Assets and Liabilities:	
Receivables, Net	(162,560.12)
Inventories	(185,122.93)
Prepaid Items	(250,000.00)
Accounts Payable and Accrued Liabilities	(80,273.08)
Unearned Revenue	261,349.22
Funds Held for Others	1,980,043.82
Compensated Absences	(182,501.56)
	<u>(182,501.56)</u>
Net Cash Used by Operating Activities	<u>\$ (113,242,425.89)</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS**

Current Assets:	
Cash and Cash Equivalents	\$ 15,146,187.31
Restricted Cash and Cash Equivalents	3,281,711.46
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	<u>1,046,990.76</u>
Total Cash and Cash Equivalents - June 30, 2010	<u>\$ 19,474,889.53</u>

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

Assets Acquired through Assumption of a Liability	\$ 1,687,811.85
Capital Asset Write-Offs	296,189.98

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

**Central Piedmont Community College Foundation, Inc.**  
**Statement of Financial Position**  
**June 30, 2010**

**Exhibit B-1**

**ASSETS**

Cash and Cash Equivalents	\$ 1,265,450
Pledges Receivable, Net	2,108,541
Other Current Assets	38,441
Total Current Assets	<u>3,412,432</u>
Investments	19,461,724
Non-current Pledges Receivable, Net	7,969,807
Property Held for Sale	422,000
Real Estate Held Under Operating Lease	<u>3,391,710</u>
Total Assets	<u>\$ 34,657,673</u>

**LIABILITIES**

Accounts Payable	\$ 143,286
Note Payable, Current Portion	80,805
Deferred Revenue	250,000
Deferred Compensation Payable	300,000
Obligations under Annuity Agreements, Current Portion	22,600
Total Current Liabilities	<u>796,691</u>
Deferred Revenue Non-current Portion	229,167
Obligations under Annuity Agreements, Non-Current Portion	333,635
Note Payable, Non-Current Portion	<u>2,426,361</u>
Total Liabilities	<u>3,785,854</u>

**NET ASSETS**

Unrestricted	1,759,104
Temporarily Restricted	5,086,068
Permanently Restricted	<u>24,026,647</u>
Total Net Assets	<u>30,871,819</u>
Total Liabilities and Net Assets	<u>\$ 34,657,673</u>

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

**Central Piedmont Community College Foundation, Inc.**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2010**

**Exhibit B-2**

**CHANGES IN UNRESTRICTED NET ASSETS**

Contributions	\$ 560,339
Investment Return	1,157,033
Rental Income	206,394
Other	<u>48,868</u>
Total Unrestricted Revenues	1,972,634
Net Assets Released from Restrictions:	<u>3,057,799</u>
Total Unrestricted Revenues and Other Support	<u>5,030,433</u>
Expenses	
Scholarships	1,054,395
Sponsored Programs	2,614,546
Management and General	499,529
Fund Raising	<u>461,837</u>
Total Expenses	<u>4,630,307</u>
Increase in Unrestricted Net Assets	<u>400,126</u>

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Contributions	3,966,616
Investment Return	638,188
Rental Income	<u>47,106</u>
Total Temporary Restricted Revenues	4,651,910
Net Assets Released from Restrictions:	<u>(3,057,799)</u>
Increase in Temporarily Restricted Net Assets	<u>1,594,111</u>

**CHANGES IN PERMANENTLY RESTRICTED NET ASSETS**

Contributions	<u>2,868,989</u>
Increase in Net Assets	4,863,226
Net Assets at Beginning of Year	<u>26,008,593</u>
Net Assets at End of Year	<u><u>\$ 30,871,819</u></u>

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



**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Central Piedmont Community College (the "College" or "CPCC") is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report*.

The accompanying financial statements present all funds of the College and its component units for which the College's Board of Trustees is financially accountable. The College's component unit is discretely presented in the College's financial statements. The College's discretely presented component unit's financial data is reported in separate financial statements because of its use of different GAAP reporting models and to emphasize their legal separateness.

**Discretely Presented Component Units** – Central Piedmont Community College Foundation, Inc. (the Foundation) is a legally separate not-for-profit corporation and is reported as discretely presented component unit based on the nature and significance of its relationship to the College.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Foundation board consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, 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.

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

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

Financial statements for the College and its discretely presented component unit are presented as of and for the fiscal year ended June 30, 2010. The audited financial statements for the Foundation can be obtained from Central Piedmont Community College Foundation Inc., PO Box 35009, Charlotte, NC 28235-5009.

- B. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the 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.

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

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, savings accounts, money market accounts, overnight repurchase agreements, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- E. Receivables** - Receivables consist of tuition and fees charged to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, State and local governments and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are recorded net of estimated uncollectible amounts.
- F. Inventories** - Inventories, consisting of expendable supplies, are valued at cost using the last invoice cost method. Merchandise for resale is valued at the lower of cost or market using the retail inventory 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. Interest costs incurred are capitalized during the period of construction.

The College capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater. Library books are generally not considered to have a useful life of more than one year unless part of a collection and are expensed in the year of acquisition.

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 75 years for general infrastructure, 10 to 100 years for buildings, and 2 to 30 years for equipment, 2 to 20 years for computer software and 2 to 25 years for art, literature and artifacts.

- H. Restricted Assets** - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources restricted or designated for the acquisition or construction of capital assets and resources whose use is limited by external parties or statute.
- I. Noncurrent Liabilities** - Noncurrent liabilities include notes payable and compensated absences that will not be paid within the next fiscal year. Noncurrent liabilities also include deferred revenue that will not be earned 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 June 30 plus the leave earned, less the leave taken between July 1 and June 30.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on 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.

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

**K. Funds Held for Others** – Funds held for others consist primarily of financial aid and payroll withholdings that have not yet been disbursed to the respective third party.

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

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

**Restricted Net Assets - 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. The College had no Restricted Net Assets – Nonexpendable as of June 30, 2010.

**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.

**M. 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 non-operating revenues in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. To the extent that revenues from

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

these programs are used to satisfy tuition, fees, and other charges, the College has recorded a scholarship discount.

- N. Revenue and Expense Recognition** - The College classifies its revenues and expenses as operating or non-operating 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 student tuition and fees and sales and services of auxiliary enterprises. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

- O. Internal Sales Activities** - Certain institutional auxiliary operations provide goods and services to College departments, as well as to its customers. These institutional auxiliary operations include activities such as Campus Printing, the Harris Conference Center, the Center for Applied Research and the Academic and Performing Arts Center. In addition, the College has other miscellaneous sales and service units that operated either on a reimbursement or charge basis. All internal sales activities to College departments from auxiliary operations and sales and service units have been eliminated in the accompanying financial statements. These eliminations are recorded by removing the revenue and expense in the auxiliary operations and sales and service units and, if significant, allocating any residual balances to those departments receiving the goods and services during the year.
- 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 maintenance of equipment. Unexpended and encumbered county current appropriations and county capital appropriations do not revert and are available for future use by the College

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**College** - All funds of the College are deposited in board-designated official depositories and are required to be collateralized in accordance with *North Carolina General Statute* 115D-58.7. Official depositories may be established with any bank or savings and loan association whose principal office is located in North Carolina. Also, the College may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling \$17,675.00, and deposits in private financial institutions with a carrying value of \$11,565,548.89 and a bank balance of \$14,229,120.33.

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, 2010, the College's bank balance in excess of federal depository insurance coverage was covered under the pooling method.

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

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

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

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, 2010, the amount shown on the Statement of Net Assets as cash and cash equivalents includes \$7,891,665.64 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 1.6 years as of June 30, 2010. 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.

**Component Unit** - Investments of the College's discretely presented component unit, the Central Piedmont Community College Foundation, Inc., are subject to and restricted by G.S. 36E "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) and any requirements placed on them by contract or donor agreements. Because the report under the FASB reporting model, disclosures of the various investment risks are not required. The following is an analysis of investments by type:

	Cost	Market
Money market funds	\$ 1,458,920	\$ 1,458,920
Mutual funds		
Equity	13,200,000	11,639,750
Fixed income	3,605,660	3,664,220
Alternative investments	<u>2,988,108</u>	<u>2,698,834</u>
Total investments	\$ <u>21,252,688</u>	\$ <u>19,461,724</u>



**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2010, were as follows:

	Gross Receivables	Less Allowance for Doubtful Accounts	Net Receivables
<b>Current Receivables:</b>			
Students	\$ 3,535,310.08	\$ (1,898,347.29)	\$ 1,636,962.79
Accounts	1,482,288.19	0.00	1,482,288.19
Intergovernmental	30,262.71	0.00	30,262.71
	<u>5,047,860.98</u>	<u>(1,898,347.29)</u>	<u>3,149,513.69</u>
<b>Total Current Receivables</b>			
<b>Non Current Receivables:</b>	463,645.99	0.00	463,645.99
	<u>463,645.99</u>	<u>0.00</u>	<u>463,645.99</u>
<b>Total Receivables</b>	<u>\$ 5,511,506.97</u>	<u>\$ (1,898,347.29)</u>	<u>\$ 3,613,159.68</u>

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in the capital assets for the year ended June 30, 2010, is presented as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital Assets, Nondepreciable:				
Land	\$ 15,271,471.23	\$ 0.00	\$ 0.00	\$ 15,271,471.23
Construction in Progress	33,056,537.24	23,247,250.97	46,149,806.48	10,153,981.73
	<u>48,328,008.47</u>	<u>23,247,250.97</u>	<u>46,149,806.48</u>	<u>25,425,452.96</u>
<b>Total Capital Assets, Nondepreciable</b>				
Capital Assets, Depreciable:				
Buildings	234,682,762.09	39,722,603.62	0.00	274,405,365.71
Machinery and Equipment	17,726,371.71	2,684,396.19	296,189.98	20,114,577.92
Art, Literature, and Artifacts	350,000.00	84,000.00	0.00	434,000.00
General Infrastructure	14,921,866.96	3,689,543.91	0.00	18,611,410.87
	<u>267,681,000.76</u>	<u>46,180,543.72</u>	<u>296,189.98</u>	<u>313,565,354.50</u>
<b>Total Capital Assets, Depreciable</b>				
Less Accumulated Depreciation/Amortization for:				
Buildings	37,483,736.27	5,077,482.11	0.00	42,561,218.38
Machinery and Equipment	6,789,138.37	1,202,843.55	200,996.52	7,790,985.40
Art, Literature, and Artifacts	20,583.46	9,240.00	0.00	29,823.46
General Infrastructure	2,619,474.11	306,604.70	0.00	2,926,078.81
	<u>46,912,932.21</u>	<u>6,596,170.36</u>	<u>200,996.52</u>	<u>53,308,106.05</u>
<b>Total Accumulated Depreciation</b>				
<b>Total Capital Assets, Depreciable, Net</b>	<u>220,768,068.55</u>	<u>39,584,373.36</u>	<u>95,193.46</u>	<u>260,257,248.45</u>
<b>Capital Assets, Net</b>	<u>\$ 269,096,077.02</u>	<u>\$ 62,831,624.33</u>	<u>\$ 46,244,999.94</u>	<u>\$ 285,682,701.41</u>

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

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

Accounts payable and accrued liabilities at June 30, 2010, were as follows:

	Amount
Accounts payable	\$ 1,400,930.79
Accrued payroll	868,122.58
Contract retainage	1,243,023.14
Intergovernmental payables	9,892.84
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 3,521,969.35</b>

**NOTE 6 - LONG-TERM LIABILITIES**

**A. Changes in Long-Term Liabilities** - A summary of changes in the long-term liabilities for the year ended June 30, 2010, is presented as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Notes Payable	\$ 8,215,923.00	\$ -	\$ 1,247,400.00	\$ 6,968,523.00	\$ 524,740.20
Compensated Absences	6,565,183.00	3,168,395.44	3,350,897.39	6,382,681.05	742,944.06
<b>Total Long-Term Liabilities</b>	<b>\$ 14,781,106.00</b>	<b>\$ 3,168,395.44</b>	<b>\$ 4,598,297.39</b>	<b>\$ 13,351,204.05</b>	<b>\$ 1,267,684.26</b>

**B. Note Payable** - The College was indebted for notes payable for the purposes shown in the following table:

Purpose	Financial Institution	Interest Rate/ Ranges	Final Maturity Date	Original Amount of Issue	Principal Paid Through June 30, 2010	Principal Outstanding June 30, 2010
Charlottetowne Parking Deck	Mecklenburg County	Variable	03/01/2027	\$ 10,000,000.00	\$ 3,031,477.00	\$ 6,968,523.00

The Notes Payable – Charlottetowne Parking Deck represent a financial arrangement with Mecklenburg County (the County) to finance the construction of the parking deck at the corner of Charlottetown Avenue and East 4<sup>th</sup> Street. The County issued Variable Rate Certificates of Participation (2005 and 2007A Mecklenburg County) of which a portion would fund the parking deck, up to \$11,500,000.00. The College agreed to reimburse the County for its portion of the debt service payments for the

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

certificates. The College payments are due quarterly in arrears. The principal and interest payments are paid from parking fees earned.

The annual requirements to pay principal and interest on the note payable at June 30, 2010, are as follows:

<u>Fiscal Year</u>	<u>Annual Requirements</u>	
	<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 524,740.20	\$ 167,727.94
2012	520,843.19	156,134.35
2013	516,946.19	143,646.99
2014	513,726.92	131,739.95
2015	454,932.98	119,457.61
2016-2020	2,230,781.51	434,405.08
2021-2025	1,845,994.33	179,181.75
2026-2030	360,557.68	13,503.97
Total Requirements	\$ 6,968,523.00	\$ 1,345,797.64

**NOTE 7 - OPERATING LEASES**

**A Operating Lease Obligations** - Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2010:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 412,502.96
2012	420,833.33
2013	650,000.00
2014	650,000.00
2015	650,000.00
2016-2020	2,958,333.33
2021-2025	2,000,000.00
2026-2030	1,600,000.00
Total Minimum Lease Payments	\$ 9,341,669.62

Rental expense for all operating leases during the year was \$714,161.45

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 8 - REVENUES**

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

	<u>Gross Revenues</u>	<u>Internal Sales Eliminations</u>	<u>Less Scholarship Discounts</u>	<u>Less Allowance for Uncollectibles</u>	<u>Net Revenues</u>
<b>Operating Revenues:</b>					
<b>Student Tuition and Fees</b>	\$ 28,270,116.99	\$ 0.00	\$ 10,476,787.39	\$ 730,257.49	\$ 17,063,072.11
<b>Sales and Services:</b>					
Sales and Services of Auxiliary Enterprises:					
Student Life Center	966,295.87	0.00	0.00	0.00	966,295.87
Parking	2,219,975.95	0.00	0.00	0.00	2,219,975.95
Harris Conference Center	855,106.66	6,622.84	0.00	3,779.01	844,704.81
Theatre and The Arts	447,470.92	37,435.14	0.00	7,329.20	402,706.58
Colleague Training Center	24,750.00	0.00	0.00	0.00	24,750.00
Other Campus Service Centers	886,019.09	574,332.93	0.00	552.83	311,133.33
Bookstore and Vending Commissions	1,032,956.25	0.00	0.00	0.00	1,032,956.25
Other	146,428.96	0.00	0.00	0.00	146,428.96
<b>Total Sales and Services</b>	<u>\$ 6,579,003.70</u>	<u>\$ 618,390.91</u>	<u>\$ 0.00</u>	<u>\$ 11,661.04</u>	<u>\$ 5,948,951.75</u>

**NOTE 9 - LEASE REVENUES**

Future minimum lease revenues under the non-cancelable broadband lease are as follows:

Rental revenue from the broad band lease was \$184,666.67. This amount is included in Other Non-operating Revenues, Net of Expenses.

<u>Fiscal Year</u>	<u>Lease Revenue Amount</u>
2011	\$ 184,666.67
2012	184,666.67
2013	184,666.67
2014	184,666.67
2015	184,666.67
2016-2020	923,333.33
2021-2025	923,333.33
2026-2030	923,333.33
2031-2035	923,333.33
2036-2037	369,333.34
<b>Total Minimum Lease Revenues</b>	<u><u>\$ 4,986,000.01</u></u>

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

**NOTE 10 - OPERATING EXPENSES BY FUNCTION**

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

	Salaries and Benefits	Supplies and Materials	Services	Scholarships and Fellowships	Utilities	Depreciation	Total
Instruction	\$ 53,560,072.96	\$ 1,384,223.27	\$ 2,676,615.95	\$ 142,872.11	\$ 0.00	\$ 0.00	\$ 57,763,784.29
Academic Support	3,915,898.40	218,310.88	353,687.96	0.00	0.00	0.00	4,487,897.24
Student Services	8,167,732.88	326,483.53	171,744.35	1,361,290.87	0.00	0.00	10,027,251.63
Institutional Support	15,825,193.11	977,159.76	2,521,293.96	2,400.00	0.00	0.00	19,326,046.83
Operations and Maintenance of Plant	3,901,456.85	4,292,745.20	6,171,795.25	0.00	3,703,595.23	0.00	18,069,592.53
Student Financial Aid	0.00	0.00	29,973.16	22,355,799.70	0.00	0.00	22,385,772.86
Auxiliary Enterprises	2,821,025.75	1,559,790.02	2,362,045.78	6,092.55	1,571.69	0.00	6,750,525.79
Depreciation	0.00	0.00	0.00	0.00	0.00	6,596,170.36	6,596,170.36
Total Operating Expenses	\$ 88,191,379.95	\$ 8,758,712.66	\$ 14,287,156.41	\$ 23,868,455.23	\$ 3,705,166.92	\$ 6,596,170.36	\$ 145,407,041.53

**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.

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, 2010, these rates were set at 3.57% of covered payroll for employers and 6% of covered payroll for members.

For the current fiscal year, the College had a total payroll of \$72,760,248.69, of which \$59,058,884.60 was covered under the Teachers' and State Employees' Retirement System. Total employer and employee contributions for pension benefits for the year were \$5,167,650.89 and \$5,543,539.55, respectively.

Required employer contribution rates for the years ended June 30, 2010, 2009, and 2008, were 3.57%, 3.36% and 3.05%, respectively, while employee contributions were 6% each year. The College made 100% of

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

its annual required contributions for the years ended June 30, 2010, 2009, and 2008, which were \$2,108,402.18, \$1,987,397.01, and \$1,661,675.23, 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 \$273,934.83 for the year ended June 30, 2010.

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). The voluntary contributions by employees amounted to \$863,429.46 for the year ended June 30, 2010.

IRC Section 401(k) Plan with Roth options. All members of the Teachers' and State Employees' Retirement System are eligible to enroll

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

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 amount to \$117,185.90 for the year ended June 30, 2010.

IRC Section 403(b) and 403(b)(7) Plans - Eligible College employees can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of colleges and certain charitable and other nonprofit institutions. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the College. The voluntary contributions by employees amounted to \$418,987.94 for the year ended June 30, 2010.

**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

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

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 4.5% of the covered payroll under the Teachers' and State Employees' Retirement System to the Fund. Required contribution rates for the years ended June 30, 2009, and 2008, were 4.1% and 4.1%, respectively. The College made 100% of its annual required contributions to the Plan for the years ended June 30, 2010, 2009, and 2008, which were \$2,657,649.81, \$2,425,097.54, and \$2,233,727.37, 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, 2010, 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, 2009, and 2008, were .52% and .52%, respectively. The College made 100% of its annual required contributions to the DIPNC for the years ended June 30, 2010, 2009, and 2008, which were \$307,106.20, \$307,573.34, and \$283,302.00, respectively. The College



**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

assumes no liability for long-term disability benefits under the Plan other than its contribution.

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

**NOTE 13 - RISK MANAGEMENT**

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

Tort claims of up to \$1,000,000 are 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

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

is charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$75,000 deductible. Losses from County and Institutional fund paid employees are covered by private insurance. Employee dishonesty coverage carries a deductible of \$2,500 with a limit of \$100,000. Forgery or alteration has a \$1,000 deductible with a \$100,000 limit.

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

College employees and retirees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a pension and other employee benefit trust fund 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.

The College retained the following risks as of June 30, 2010:

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

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

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

**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 \$5,589,032.79 at June 30, 2010.

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

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

**NOTE 15 - RELATED PARTIES**

**Foundation** - The Foundation is a separately incorporated nonprofit foundation associated with the College. This organization serves as the primary fundraising arm of the College through which individuals, corporations, and other organizations support College programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific departments and the College's overall academic environment. The College's financial statements do not include the assets, liabilities, net assets, or operational transactions of the Foundation, except for support from and expenses paid to the Foundation. Support received was \$2,199,290.96 for the year ended June 30, 2010 and is included in Noncapital Gifts, Net. The College also leases the use of certain real estate owned by the Foundation. During the year ended June 30, 2010, the College made payments totaling \$500,000.00 to the Foundation related to the lease.

**NOTE 16 - CHANGES IN FINANCIAL ACCOUNTING AND REPORTING**

For the fiscal year ended June 30, 2010, the College implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

GASB Statement No. 51, requires reporting certain intangible assets as capital assets.

**CENTRAL PIEDMONT COMMUNITY COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

---

**NOTE 17 - SUBSEQUENT EVENTS**

In September 2010, the College entered into a Guaranteed Energy Savings Contract to install energy conservation measures so as to reduce energy consumption and related costs. The energy conservation measures require the purchase of equipment under a master lease agreement which will be repaid over 12 years. The amount financed to complete this project was \$3,626,784 with an annual interest rate of 4.09%. Payment under the master lease agreement begins in fiscal year 2012.



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

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

We have audited the financial statements of the business-type activity and the discretely presented component unit of Central Piedmont Community College (the "College") as of and for the years ended June 30, 2010, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 10, 2011. 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. The financial statements of Central Piedmont Community College Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cherry Bekaert + Holland, C.C.P.*

Charlotte, North Carolina  
February 10, 2011